

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

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Board of Trustees
Crains Run Water and Sewer District
Miamisburg, Ohio

We have reviewed the *Report of Independent Accountants* of the Crains Run Water and Sewer District, Montgomery County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Crains Run Water and Sewer District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 12, 2005

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**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY
For Year Ending December 31, 2003**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statements of the Crains Run Water and Sewer District, Montgomery County, Ohio (the District), as of and for the year ended December 31, 2003, as listed in the table of contents. 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 a 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 fund cash balances of the District, as of December 31, 2003, and its cash receipts, disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 24, 2005 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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 management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

June 24, 2005

CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

Operating Cash Receipts:	
Operating Receipts	\$ 66,394
Bulk Water Sales	400
Total Operating Cash Receipts	66,794
Operating Cash Disbursements:	
Personal Services	54,434
Contractual Services	60,519
Contract Labor	6,766
Office Supplies and Equipment	2,191
Postage	630
Insurance	13,844
Utilities and Phone	20,976
Rent	2,400
Plant Operations and Testing	8,226
Chemicals and Operating Supplies	14,388
Repairs and Maintenance	27,018
Vehicle Expense	56
Audit	5,286
Bank Fees	960
Miscellaneous	1,948
Total Operating Cash Disbursements	219,642
Operating gain (loss)	(152,848)
Non-Operating Cash Receipts	
Tap Fees	73,496
Inspection Fees	1,623
Meter Fees	38
Special Assessments	43,560
Miscellaneous Receipts	14
Interest/Investment Income	55,859
Total Non-Operating Cash Receipts	174,590
Non-Operating Cash Disbursements	
Debt Service	309,295
Capital Outlay	35,705
Total Non-Operating Cash Disbursements	345,000
Net Disbursements in Excess of Receipts	(323,258)
Fund Cash Balances, January 1, See Note 7	3,047,648
Fund Cash Balances, December 31	\$ 2,724,390

See accompanying Notes to the Financial Statements.

**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Crains Run Water and Sewer District, (the District) is a body corporate and politic established for the purpose of exercising 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 services to the 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

The District prepares its financial statements following 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

The 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. FUND ACCOUNTING

The District maintains a General Fund that is used to account for all financial resources of the District.

**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS

The Ohio Revised Code requires the General Fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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. The County Budget Commission must also approve estimated resources.

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 re-appropriated.

A summary of 2003 budgetary activity appears in Note 4.

F. 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.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investment pool at December 31 was as follows:

	2003
Demand deposits	\$ 8,412
Money Market	434,066
Certificates of deposit	1,285,790
Total deposits	1,728,268
STAR Ohio	670,322
Sweep Account	118,077
Repurchase Agreement	150,000
Federal Agency Instruments	57,723
Total Investments	996,122
Total deposits and investments	\$2,724,390

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged the financial institution to the District.

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 market mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003**

3. RETIREMENT SYSTEM – (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The District contributed a rate 13.55% of covered payroll. The District has paid all contributions required through December 31, 2003.

4. BUDGETARY ACTIVITY

<u>Fund Type</u>	<u>2003 Budgeted vs. Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General	\$135,235	\$241,384	\$106,149

<u>Fund Type</u>	<u>2003 Budgeted vs. Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General	\$805,000	\$564,642	\$240,358

5. DEBT

Debt outstanding at December 31, 2003 was as follow:

	<u>Principal</u>	<u>Interest Rates</u>
Phase I Construction Loan OWDA	\$2,600,937	5.66%
Phase II Construction Loan OWDA	1,209,390	5.56%
Total	<u>\$3,810,327</u>	

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 principal and interest payment requirements, based on the assumption that the entire loan amounts will be borrowed.

**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003**

5. DEBT – (continued)

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.

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

Year ending December 31:	Phase I Construction	Phase II Construction
2004	\$ 212,201	\$ 97,094
2005	212,201	97,094
2006	212,201	97,094
2007	212,201	97,094
2008	212,201	97,094
2009-2013	1,061,006	485,471
2014-2018	1,061,006	485,471
2019-2023	1,061,006	485,471
2024-2028	<u>318,301</u>	<u>48,547</u>
Total	<u>\$ 4,562,324</u>	<u>\$ 2,087,530</u>

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded commercial coverage in the past three years. Also, there have been no material reductions in coverage during the past three years.

**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003**

7. RESTATEMENT OF PRIOR YEAR FUND BALANCE

Prior year decreases in investment balances caused the following decrease in the prior year fund balance:

Fund Balance, December 31, 2002	\$ 3,147,981
Adjustment	<u>(100,333)</u>
Fund Balance, January 1, 2003	<u>\$ 3,047,648</u>

8. CONTINGENT LIABILITIES

The District may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Crains Run Water and Sewer District, Montgomery County, Ohio as of and for the year ended December 31, 2003, and have issued our report thereon dated June 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Controls 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 in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of 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 internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements we audited may occur and not be detected within a timely period by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted other matters involving internal controls over financial reporting that we have reported to the management of the District in a separate letter dated June 24, 2005.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.
June 24, 2005

Status of Prior Audit's Citations and Recommendations

There were no citations or recommendations from the prior audit, for the years ending December 31, 2002 and 2001.



**Auditor of State
Betty Montgomery**

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**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
SEPTEMBER 22, 2005**