



Mary Taylor, CPA
Auditor of State

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

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Mary Taylor, CPA
Auditor of State

Buckeye Water District
Columbiana County
P O Box 105
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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your District 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 17, 2010

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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 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, 2009. 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 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, 2009 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, 2009, or its changes in financial position or cash flows, where applicable for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and reserves for encumbrances of Buckeye Water District, Columbiana County, as of December 31, 2009, and its combined 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 17, 2010, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 17, 2010

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH FUND BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	2009
Operating Cash Receipts:	
Charges for Services	\$3,529,608
Miscellaneous	956
	3,530,564
Operating Cash Disbursements:	
Personal Services	1,082,404
Purchases	352,493
Services	182,296
Miscellaneous Expenses	73,619
Utilities	262,878
Capital Outlay	3,452,995
	5,406,685
Total Operating Cash Disbursements	5,406,685
Operating Income/(Loss)	(1,876,121)
Non-Operating Cash Receipts:	
Special Assessments	38,656
Intergovernmental Revenues	2,832,449
Interest	7,825
Parts/Equipment Sales	14,326
Proceeds from Sale of Public Debt: Sale of Notes	2,875,127
Total Non-Operating Cash Receipts	5,768,383
Non-Operating Cash Disbursements:	
Debt Service	
Principal Payments	3,163,874
Interest Payments	941,501
Loan Fees	
	4,105,375
Total Non-Operating Cash Disbursements	4,105,375
Excess Of Net Receipts Over/(Under) Disbursements Before Interfund Transfers	(213,113)
Transfers In	60,000
Transfers Out	(60,000)
	(213,113)
Net Receipts Over/(Under) Disbursements	(213,113)
Cash Balances, January 1	4,312,713
Cash Balances, December 31	\$4,099,600
Reserve for Encumbrances, December 31	\$219,768

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, 2009**

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.

The District values the Certificates of Deposit Account Registry Services (CDARS) at cost.

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 type:

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.

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

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires the District to budget 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. 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.

A summary of 2009 budgetary activity appears in Note 3.

F. 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.

G. 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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The District may invest in 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:

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

Demand deposits	\$9,733
Sweep accounts	1,249,781
Total deposits	<u>1,259,514</u>
CDARS	2,840,086
Total deposits and investments	<u><u>\$4,099,600</u></u>

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.

Investments: Certificate of Deposit Account Registry Services (CDARS) deposits are covered by Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2009 follows:

Budgeted vs. Actual Receipts	
	Enterprise Funds
Budgeted Receipts	\$11,282,228
Actual Receipts	<u>9,358,947</u>
Variance	<u>\$1,923,281</u>
Appropriation Authority vs. Actual Budgetary Basis Expenditures	
	Enterprise Funds
Appropriation Authority	\$12,355,533
Actual Budgetary Basis Expenditures	<u>9,791,828</u>
Variance	<u>\$2,563,705</u>

4. 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 2009, 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, 2009.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

5. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan # CN901	\$180,919	0%
Ohio Public Works Commission Loan # CN24G	645,975	0%
Ohio Water Development Authority Loan #3082	104,060	6.02%
Ohio Water Development Authority Loan # 4569	10,543,572	2%
Water Resource Revenue Bond, Series 2002, Series A	462,500	4.50%
Water Resource Revenue Bond, Series 2002, Series B	923,200	4.50%
Mortgage Revenue Bond, Series 2008 A	4,160,800	4.50%
Mortgage Revenue Bond, Series 2008 B	3,764,500	4.50%
Mortgage Revenue Bond, Series 2008 C	4,458,000	4.50%
Mortgage Revenue Bond, Series 2008 D	1,287,900	4.50%
Ohio Water Development Authority Loan # 5362	662,137	0%
Total	<u>\$27,193,563</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 State 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 Development Authority (OWDA) Loan #3082 was issued for the Dairy Lane Water Line Project in the amount \$317,372 for 20 years at 6.02% interest. 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.

Ohio Water Development Authority (OWDA) Water Treatment Plant Loan #4569 was issued for the Water Treatment Plant Project. To date, \$10,554,316 has been issued; this amount 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 and semi-annual payments of \$356,331 are due each January 1st and July 1st. 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 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, 2009
(Continued)**

5. 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.

The Ohio Water Development Authority (OWDA) Salineville Waterline Extension Loan # 5362 was issued for the Salineville Waterline Extension Project. The principal amount of the original loan dated September 24, 2009 was \$662,137 for a term of 30 years at 0% interest. The first payment is due on July 1, 2010. 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, 2009.

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
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	\$27,715	\$81,330	\$750,000
2014	\$13,401	\$39,150	\$13,839	\$81,330	\$750,000
2015-2019	\$67,008	195,750		406,650	3,750,000
2020-2024	\$46,906	195,750		406,650	3,750,000
2025-2029		58,725		406,650	3,750,000
2030-2034				406,650	3,750,000
2035-2039				406,650	3,750,000
2040-2044				243,990	3,750,000
2045-2048					3,000,000
Total	<u>\$180,919</u>	<u>\$645,975</u>	<u>\$124,699</u>	<u>\$2,683,890</u>	<u>\$29,250,000</u>

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, 2009
(Continued)**

7. CONTINGENT LIABILITIES

The District is a party to litigation involving the City of East Liverpool and Columbiana County. A judgment was awarded against the District in an amount that could have a substantial impact on the financial operations of the District. The judgment is currently being appealed. If judgment is ultimately sustained against the District, it would impose a substantial financial obligation.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *DISTRICT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of the Buckeye Water District, (the District) as of and for the year ended December 31, 2009, and have issued our report thereon dated June 17, 2010, wherein we noted the District followed accounting practices the Auditor of State prescribes or permits 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 17, 2010.

We intend this report solely for the information and use of management, the Board of Trustees and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 17, 2010

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2009-001

Material Weakness

Proper Classification of Receipts and Disbursements

The Fiscal Officer did not correctly post various revenue and disbursements in 2009, resulting in adjustments and reclassifications to the financial statements. The District Fiscal Officer has agreed to the adjustments and reclassifications and these corrected amounts are reflected in the accompanying financial statements. The amounts have been posted to the District's accounting ledgers.

Fund Name	Account Type	Amount	Description
<i>Adjustments</i>			
Water Operating	Transfers out	\$60,000	Not recorded on financial statements.
Construction	Transfers in	\$60,000	Not recorded on financial statements.
Water Operating	Redemption of principal	\$2,421,118	Not recorded on financial statements.
Construction	Proceeds of notes	\$2,421,118	Not recorded on financial statements.
<i>Reclassification</i>			
Construction	Proceeds of notes	\$454,009	Recorded as intergovernmental revenue

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 Fiscal Officer should maintain the accounting system to enable the District to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability.

Officials' Response:

We did not receive a response from officials to this finding.

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**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	ORC Section 5705.38 and 5705.41 (B) The District did not adopt appropriations during 2008; therefore, all expenditures exceeded appropriations.	No	Partially corrected, ORC 5705.38 is cited in the Management Letter as the measure was not passed on a timely basis
2008-002	ORC Section 5705.41 (D) Expenditures were not properly certified.	No	Repeated in the Management Letter.
2008-003	Improper classification of receipts and expenditures.	No	Repeated as Finding Number 2009-001.



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
AUGUST 26, 2010**