

**WALNUT CREEK
SEWER DISTRICT**

GENERAL PURPOSE FINANCIAL STATEMENTS

(Audited)
For The Year Ended

December 31, 2003

LOWELL HITE, CLERK/TREASURER



Mary Taylor, CPA

Auditor of State

Board of Trustees
Walnut Creek Sewer District
P. O. Box 599
Pleasantville, Ohio 43148

We have reviewed the *Independent Auditor's Report* of the Walnut Creek Sewer District, Fairfield County, prepared by Julian & Grube, 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.

Finding for Recovery:

Ohio Revised Code Section 149.351 states, in part, that "all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions."

The following expenditures were made on the District's credit card by Kristi Shook, former administrative assistant, and were not supported by an invoice or do not appear to be for a proper public purpose. The District Board of Trustees did not issue prior approval of these expenditures demonstrating what public purpose such expenditures served, nor did the Board of Trustees have a policy addressing these types of expenditures.

<u>Check Date</u>	<u>Check Number</u>	<u>Amount</u>	<u>Vendor</u>	<u>Description</u>
2/12/2003	11530	\$ 5.98	Quill	mints-5.98
3/27/2003	11582	37.85	Sam's Club	fixodent-6.83, candy-6.86, sheet set-32.56, Wet Jet-29.87, coke-5.86, variety pack-4.87, Turbotax-33.74, State Tax-24.86, calculators-14.74, puffs- 7.84-\$130.18 repaid by Ms. Shook
6/17/2003	11705	106.69	Quill	paper trimmer-14.99, cutting tools-61.75, cutter-14.96, scotch tape-14.99
9/17/2003	11818	89.97	Quill	3 surge protectors unaccounted for-89.97
11/6/2003	11890	28.99	Quill	coffee-28.99
11/6/2003	11898	40.43	Bank One Visa	cold medicine-3.97 & 6.49, cough drops-1.29, food-28.68

12/12/2003	11963	163.65	Sam's Club	Entire invoice appears to be personal items - 163.65
1/5/2004	11994	360.88	Bank One Visa	sweeper-48.33, Big Lots invoice-32.02, Meijer-47.74, Harriet Carter-151.75, Valvoline-55.47 As Seen on TV- 25.57
2/3/2004	12039	331.30	Bank One Visa	sweeper-32.44, Kroger invoice-59.14, Harriet Carter-18.82 & (45.98-19.98), Best Software SB, Inc.-194.90
3/3/2004	12079	32.44	Bank One Visa	sweeper-32.44
3/17/2004	12105	358.73	Sam's Club	Entire invoice appears to be personal items - 358.73
4/1/2004	12126	184.53	Bank One Visa	sweeper-32.44, Harriet Carter-83.92 & 11.83, Kroger invoice-56.34
7/20/2004	12290	34.82	Sam's Club	dryer sheets-6.97, food-17.61, chinnet plates-10.24
8/2/2004	12314	356.80	Bank One Visa	Radio shack invoice-26.74, Sears invoice-38.50, Office max invoice-80.75 & 105.98, Lowe's invoice-15.97, entire Target invoice appears to be personal items-88.86
		<u>\$2,133.06</u>		

Certain expenditures were not supported with detailed invoices or receipts to indicate each of the items purchased. Without appropriate documentation it is not possible to determine if the expenditures included items that would not be considered a proper public purpose, such as the purchase of alcohol. The failure to maintain adequate support for expenditures could result in a loss of accountability over the District's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Additionally, Section 2 of District Ordinance 3-21-85 states, "Each full-time employee, including full-time hourly rate employees after service of one year with the district shall have earned and will be due upon the attainment of the first year's employment and annually thereafter, eighty hours of vacation leave with full pay. Such vacation shall accrue to the employee for each of the first five years at the rate of 3.1 hours for each bi-weekly period." Balestra, Harr & Scherer, CPAs, Inc. conducted an independent review of the District records for the period February 1, 2002 to March 30, 2005. Their report indicates Kristi Shook was overpaid for vacation leave of 158.7 hours at a rate of \$10.50 per hour for an overpayment of \$1,666.35.

Furthermore, Systematic Corporation issued a rebate check to the District for \$30.00 on August 14, 2004, which was cashed on September 1, 2004. There is no evidence that the \$30.00 was recorded on the books of the District which constitutes money collected, but unaccounted for.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended and for monies collected but unaccounted for is hereby issued against Kristi Shook, former administrative assistant, in the amount of \$3,829.41 and in favor of the Walnut Creek Sewer District's general fund.

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 Walnut Creek Sewer District is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

June 11, 2008

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WALNUT CREEK SEWER DISTRICT

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JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

333 County Line Road West
Westerville, Ohio 43082

Telephone 614.846.1899
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Independent Auditor's Report

Board of Trustees
Walnut Creek Sewer District
P.O. Box 599
Pleasantville, Ohio 43148

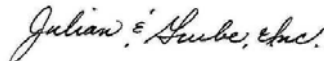
We have audited the accompanying general purpose financial statements of the Walnut Creek Sewer District, Fairfield County, Ohio, (the “District”), as of and for the years ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District’s management. Our responsibility is to express an opinion on these general purpose 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Walnut Creek Sewer District, Fairfield County, as of December 31, 2003, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, the District restated its accumulated deficit based on errors and omissions.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 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 grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 considered in assessing the results of our audit.



Julian & Grube, Inc.
July 21, 2005

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY**

BALANCE SHEET
DECEMBER 31, 2003

	2003
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 57,826
Accounts receivable	25,636
Due from other governments	13,741
Prepaid items	3,563
TOTAL CURRENT ASSETS	100,766
RESTRICTED ASSETS	
Cash and cash equivalents	150,424
PROPERTY, PLANT AND EQUIPMENT	
Land	24,276
Land easements	1,250
Land improvements	9,630
Plant buildings	420,634
Sewer lines and storage	2,340,461
Pumps and treatment equipment	1,131,674
Office equipment and furniture	23,214
Transportation equipment	25,163
Leasehold improvements	1,594
Equipment and tools	62,136
Construction in progress	29,501
TOTAL PROPERTY, PLANT AND EQUIPMENT	4,069,533
Less: Accumulated depreciation	(2,565,246)
NET PROPERTY, PLANT AND EQUIPMENT	1,504,287
OTHER ASSETS	
Industrial commission deposit	592
TOTAL ASSETS	\$ 1,756,069
LIABILITIES AND FUND EQUITY	
CURRENT LIABILITIES	
Bonds payable	\$ 14,000
Accounts payable	6,999
Contracts payable	22,705
Accrued wages	2,258
Due to other governments	7,759
Accrued interest	5,441
Payroll taxes accrued and withheld	2,090
TOTAL CURRENT LIABILITIES	61,252
RESTRICTED LIABILITIES	
Customer security deposits	19,097
LONG-TERM LIABILITIES	
Bonds payable	314,239
TOTAL LIABILITIES	394,588
FUND EQUITY	
Contributed capital - grants	3,303,596
Accumulated deficit	(1,942,115)
TOTAL FUND EQUITY	1,361,481
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,756,069

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

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2003

	2003
OPERATING REVENUES	
Service fees	\$ 182,461
Contract fee revenue	38,560
Total operating revenues	221,021
OPERATING EXPENSE	
Salaries	60,217
Trustee fees	4,800
Payroll taxes	991
Workers' compensation	1,996
Plant chemicals and fuel	1,190
Telephone	4,804
Electric	21,929
Office supplies	9,533
Insurance	8,141
Accounting and legal	12,397
Consulting fees	18,704
Employee benefits (OPERS)	5,287
Repairs and excavation	1,472
Maintenance and supplies	16,987
Inspection and testing	702
Health insurance	12,004
Rent	4,800
Transportation expense	1,989
License, dues and subscriptions	2,596
Advertising	331
Training	790
Billing fees - BOPA	1,645
Depreciation	81,684
Miscellaneous	1,605
Total operating expenses	276,594
Operating Loss	(55,573)
OTHER INCOME (EXPENSE)	
Sewer tap fees	19,700
Permit fees	100
Interest income	3,121
Capital contributions	82,130
Interest expense	(16,874)
Miscellaneous income	2,092
Net other income (expense)	90,269
Net income	34,696
Accumulated deficit, beginning of period (restated)	(1,976,811)
Accumulated deficit, end of period	\$ (1,942,115)

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

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003

	2003
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 181,849
Cash received from contract fee revenues	38,560
Cash payments to suppliers for goods and services	(102,570)
Cash payments for employee services and benefits	(76,578)
Net cash provided by operating activities	41,261
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Other income	2,092
Customer deposits	1,563
Net cash provided by non-capital financing activities	3,655
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Tap fees	19,700
Permit fees	100
Principal payments	(13,000)
Purchase of capital assets	(18,765)
Interest expense	(17,089)
Net cash used for capital and related financing activities	(29,054)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and investments	3,121
Net increase in cash and cash equivalents	17,420
Cash and cash equivalents, beginning of year	190,830
Cash and cash equivalents, end of year	\$ 208,250
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (55,573)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	81,684
Changes in assets and liabilities:	
(Increase) in accounts receivable	(612)
(Increase) in prepaids	(587)
Increase in contracts payable	4,705
Increase in accounts payable	2,927
Increase in due to other governments	7,759
(Decrease) in compensated absences	(568)
Increase in accrued wages and benefits	967
Increase in payroll taxes accrued and withheld	559
Total adjustments	96,834
Net cash provided by operating activities	\$ 41,261

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

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 - DESCRIPTION OF THE ENTITY

The Walnut Creek Sewer District, Fairfield County, Ohio, (the "District") is organized under the provisions of Section 6119 of the Ohio Revised Code (O.R.C.) by the Common Pleas Court of Fairfield County, Ohio, for the purpose of providing public sewer service. The territorial limits were set as the entire corporation limits of the Village of Pleasantville and the Village of Thurston. The District is a body politic and corporate 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 operates under a six-member Board of Trustees who are appointed by the Village Councils of Pleasantville and Thurston. The Board of Trustees is responsible for the fiscal control of the assets and the operating funds of the District.

Management believes the financial statements included in this report represent all of the funds of the District over which management has direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its enterprise fund, subject to this same limitation. The District has elected not to apply these FASB Statements and Interpretations. The most significant of the District's accounting policies are described below.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. REPORTING ENTITY

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units". The GPFS includes the fund for which the District is "accountable". Accountability as described in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the District and whether exclusion would cause the District's GPFS to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the District.

Based on the foregoing criteria, there were no PCU's for the years reported on in the GPFS in accordance with GASB Statement No. 14 and No. 39.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the District are maintained on the basis of fund accounting. The operations of this fund are accounted for with a set of self-balancing accounts that are comprised of its assets, liabilities, fund equity or accumulated deficit, as appropriate, and revenues and expenses. The following fund type is used by the District:

PROPRIETARY FUND TYPE:

Enterprise Fund - This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District prepares its financial statements on the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Unbilled service charges receivable are recognized as revenue at year end. Expenses are recognized at the time they are incurred.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. This measurement focus emphasizes the determination of net income.

Fund equity (i.e., net total assets) is segregated into contributed capital and accumulated deficit components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

D. BUDGETS

The District is required by State statute to adopt an annual appropriated cash basis budget. The specific timetable is as follows:

1. Prior to January 15 of the proceeding year, the District prepares a proposed operating budget. The budget includes proposed expenses and the means of financing for all funds.
2. By the beginning of the fiscal year the annual Appropriation Resolution is legally enacted by the Board of Trustees at the fund operating and debt level of expenses, which is the legal level of budgetary control. Resolution appropriations by fund must be within the estimated resources and the total of expenses may not exceed the appropriation total.
3. Any revision that alters the total of any fund appropriation must be approved by the Board of Trustees.
4. Formal budgetary integration is employed as a management control device during the year consistent with the general obligation bond indenture and other statutory provisions.
5. Appropriation amounts are as originally adopted, or as amended by the Board of Trustees through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. Supplemental appropriations were legally enacted by the Board during the years ended December 31, 2003.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. CASH AND CASH EQUIVALENTS

Cash balances of the District's enterprise fund are invested in cash and certificates of deposit and presented as "Cash and Cash Equivalents" on the balance sheet. During the audit period, investments were limited to certificates of deposit, which are reported at cost. Interest income earned by the District totaled \$3,121 for the year ended December 31, 2003.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments with maturities of three months or less are considered cash equivalents.

F. RESTRICTED CASH

The District maintains four restricted accounts which consist of cash and certificates of deposit. The Bond and Interest Sinking Fund are presented as a current asset based upon the liability in the current year is greater than the balance in the reserve. The Repair and Replace Reserve Fund may be used currently upon approval from the Farmers Home Administration. The Vacation Fund is accumulating monies for future payouts of compensated absences. The Customer Security Deposits are held until Board approves the refund to the respective customers.

G. PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION

Fixed assets acquired or constructed for the general use of the District in providing service are stated at cost (or estimated historical cost) and updated for the cost of additions and disposals during the years. Contributed fixed assets are recorded at their fair market values as of the date donated. The District capitalizes any asset with a cost greater than \$500 and a useful of life of 3 years or more. Depreciation and amortization have been provided on a straight-line basis ranging from 3 to 40 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost and depreciated, if applicable, over the remaining useful lives of the related fixed assets.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment on debt proceeds. Capitalized interest is amortized utilizing the straight line basis over the estimated useful life of the asset. There was no capitalized interest for the audit period.

H. COMPENSATED ABSENCES

Compensated absences of the District consist of vacation and sick time to the extent that payment to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and its employees.

In accordance with provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

Unused sick pay is recorded as a liability with employees being entitled to 4.6 hours of sick leave for each completed 80 hours up to a maximum of 960 hours and are entitled to a lump sum payment of 1/3 of accumulated sick pay upon retirement or termination if they have more than ten years of service. The liability is calculated using pay rates in effect at December 31, 2003.

I. EQUITY

Contributed capital is recorded by the District for receipts of capital grants or contributions from developers and customers. All of the District's contributed capital has been received from customers and Farmer's Home Administration and Ohio Public Works Commission grants. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to accumulated deficit at year end. There were no changes to contributed capital during December 31, 2003 due to the implementation of GASB Statement No. 33. Reserved fund equity represents monies reserved by the District for repair and replacement in accordance with bond indenture requirements.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond the balance sheet date are recorded as prepaid items using the consumption method. A current asset for prepaid amounts is recorded at the time of payment, and an expense is reported at the time the services are consumed.

K. ACCOUNTS RECEIVABLE

Management considers all accounts receivable to be collected in full and may periodically allocate portions of the allowance for specific problem accounts, with the whole allowance available for any debts that occur. An account is charged off by management as a loss when deemed uncollectible, although most delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Receivables are presented at gross on the balance sheet.

L. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. LONG TERM OBLIGATIONS

The District records fund obligations not expected to be financed within one year by available financial resources as long-term debt, which consisted of United States Rural Development Bonds.

NOTE 3 – ACCOUNTABILITY - PRIOR PERIOD ADJUSTMENTS

The District has presented a prior period adjustment to restate accumulated deficit which related to errors and omissions from prior year. The impact is as follows:

Accumulated deficit as previously reported	\$ (1,970,332)
Effect of restatement	<u>(6,479)</u>
Accumulated deficit as of January 1, 2003	<u>\$ (1,976,811)</u>

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 4 - CASH AND CASH EQUIVALENTS

Monies held by the District are classified by state statute into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the District has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits in interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 4 - CASH AND CASH EQUIVALENTS

6. The State Treasurer's investment pool (STAR Ohio);
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the District's interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the District's interim monies available for investment.

The District may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons;
3. Obligations of the District.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Clerk/Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

DEPOSITS

For the year ended December 31, 2003, the carrying amount of the District's deposits was \$159,176 and the bank balance was \$216,428. Of the bank balance, \$100,000 was covered by federal deposit insurance and the remaining balance of \$116,428 was uninsured and uncollateralized. Although the pledging banks have investment and securities pools used to collaborate all public deposits which are held in the financial institution's name, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)

INVESTMENTS

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", requires the District to categorize investments to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent, but not in the District's name.

The classification of Cash and Cash Equivalents, and Investments on the basic Financial Statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting". A reconciliation between the classifications of cash and investments on the basic Financial Statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash	
	Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 208,250	\$ -
Certificate of Deposit	(49,074)	49,074
GASB Statement No. 3	\$ 159,176	\$ 49,074

NOTE 5 - BUDGETARY COMPLIANCE

Budgetary activity for the year ending December 31, 2003 follows:

<u>Budgeted vs. Actual Receipts</u>	<u>2003</u>
Budgeted Receipts	\$ 424,608
Actual Receipts	333,834
Variance - favorable/(unfavorable)	\$ (90,774)
<u>Budgeted vs. Actual Budgetary Basis Expenses</u>	
	<u>Actual</u>
Appropriation Authority	\$ 290,654
Budgetary Expenses	316,413
Variance - favorable/(unfavorable)	\$ (25,759)

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - BUDGETARY COMPLIANCE - (Continued)

The District did not properly certify expenses contrary to Ohio Revised Code Section 5705.41(D) and had expenses exceeding appropriations contrary to Ohio Revised Code Section 5705.41(B).

NOTE 6 - RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash consists of reserve funds that were established by Board resolutions. The Repair and Replacement Reserve may be used currently upon approval from the USDA/Rural Development. Restricted funds consist of the following:

<u>Account</u>	Restricted		
	<u>Certificates of Deposit</u>	<u>Cash</u>	<u>Total</u>
Bond and Interest Sinking Fund	\$ 33,701	\$ 10,549	\$ 44,250
Repair and Replacement Reserve	15,373	40,575	55,948
Vacation	-	32,706	32,706
Customer Security Deposits	-	17,520	17,520
Total Restricted Cash and Cash Equivalents	\$ 49,074	\$ 101,350	\$ 150,424

NOTE 7 - RESERVE FUNDS

Under Bond Resolution No. 9-25-79-2 Section 6B(1) and B(3), the District is required to make monthly deposits into reserve cash accounts.

Monthly deposits into the Revenue Bond and Interest Sinking Reserve Account are required based on 1/12 of the ensuing principal and interest payments. Payments required in the Bond and Interest Sinking Funds for the next five years are as follows:

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 7 - RESERVE FUNDS - (Continued)

Year Ending <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 14,000	\$ 16,412	\$ 30,412
2005	15,000	15,712	30,712
2006	16,000	14,962	30,962
2007	16,000	14,162	30,162
2008	<u>17,000</u>	<u>13,362</u>	<u>30,362</u>
Total	<u>\$ 78,000</u>	<u>\$ 74,610</u>	<u>\$ 152,610</u>
Less: Balance in Bond and Interest Sinking Fund at December 31, 2004			<u>(44,250)</u>
Total			<u>\$ 108,360</u>

Monthly deposits into the Repair and Replacement Reserve Account are required if there is sufficient income and revenue to meet operational expenses and bond and interest sinking deposit requirements. The total minimum required to be accumulated in this reserve account is \$30,000.

The Repair and Replacement Reserve account balance at December 31, 2003, was \$55,948.

The Vacation Fund Account is reserved for vacation earned and required to be paid to any employee that terminates employment with the District. The balance was \$32,706 at December 31, 2003.

The Customer Security Deposit account is restricted for customers opening new accounts. Upon termination of the account, monies are refunded if all required conditions are met.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 8 – FIXED ASSETS

Changes in Fixed Assets at December 31 consisted of the following:

Description	<u>Balance at 12/31/2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2003</u>
Capital Assets, Not Being Depreciated				
Land	\$ 24,276	\$ -	\$ -	\$ 24,276
Land easements	1,250	-	-	1,250
Construction in progress	<u>227,993</u>	<u>93,890</u>	<u>(292,382)</u>	<u>29,501</u>
Total Capital Assets Being Depreciated	<u>253,519</u>	<u>93,890</u>	<u>(292,382)</u>	<u>55,027</u>
Capital Assets Being Depreciated				
Land Improvements	9,630	-	-	9,630
Plant buildings	420,634	-	-	420,634
Sewer lines and storage	2,340,461	-	-	2,340,461
Pumps and treatment equipment	832,956	298,718	-	1,131,674
Office equipment and furniture	23,214	-	-	23,214
Transportation equipment	25,163	-	-	25,163
Leasehold improvements	1,594	-	-	1,594
Equipment and tools	<u>62,136</u>	<u>-</u>	<u>-</u>	<u>62,136</u>
Total Capital Assets, Being Depreciated	<u>3,715,788</u>	<u>298,718</u>	<u>-</u>	<u>4,014,506</u>
Less Accumulated Depreciation				
Land Improvements	(7,623)	(482)	-	(8,105)
Plant buildings	(241,193)	(10,644)	-	(251,837)
Sewer lines and storage	(1,323,405)	(58,512)	-	(1,381,917)
Pumps and treatment equipment	(829,617)	(6,874)	-	(836,491)
Office equipment and furniture	(16,255)	(1,881)	-	(18,136)
Transportation equipment	(23,090)	(293)	-	(23,383)
Leasehold improvements	(564)	(96)	-	(660)
Equipment and tools	<u>(41,815)</u>	<u>(2,902)</u>	<u>-</u>	<u>(44,717)</u>
Total Accumulated Depreciation	<u>(2,483,562)</u>	<u>(81,684)</u>	<u>-</u>	<u>(2,565,246)</u>
Total Capital Assets being depreciated, Net	<u>1,232,226</u>	<u>217,034</u>	<u>-</u>	<u>1,449,260</u>
Total Capital Assets, Net	<u>\$ 1,485,745</u>	<u>\$ 310,924</u>	<u>\$ (292,382)</u>	<u>\$ 1,504,287</u>

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 9 - LONG TERM DEBT

At December 31, long-term bonds payable consisted of the following issuance:

<u>Description</u>	<u>Balance at 12/31/2003</u>
1995 Water Resource Revenue Bonds with Farmers Home Administration with denominations of \$1,000 each, bearing interest at 5% per annum, principal and interest payments are due annually on September 1, final bonds are due September 1, 2019.	<u>\$ 328,239</u>
Total Long-Term Bonds Payable	<u>\$ 328,239</u>

The following changes occurred in the District's long term debt:

	<u>Balance 12/31/2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2003</u>
Water Resource Bonds	<u>\$ 341,239</u>	<u>\$ -</u>	<u>\$ (13,000)</u>	<u>\$ 328,239</u>

The principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2003, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 14,000	\$ 16,412	\$ 30,412
2005	15,000	15,712	30,712
2006	16,000	14,962	30,962
2007	16,000	14,162	30,162
2008	17,000	13,362	30,362
2009 - 2013	100,000	53,060	153,060
2014 - 2018	126,000	25,560	151,560
2019	<u>24,239</u>	<u>1,212</u>	<u>25,451</u>
Totals	<u>\$ 328,239</u>	<u>\$ 154,442</u>	<u>\$ 482,681</u>

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 10 - DEFINED BENEFIT PENSION PLAN

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

All District full-time employees other than uniformed employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic 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 which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2003 was 8.5% for employees. The employer contribution rate for employees was 13.55% of covered payroll and 9.55% was the portion used to fund pension obligations for 2003. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The District's contributions to OPERS for the years ended December 31, 2003, 2002 and 2001 were \$5,287, \$9,118 and \$8,902, respectively.

NOTE 11 - POST RETIREMENT BENEFIT PLANS

Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post employment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate for local government employers was 13.55% of covered payroll and 4.00% was the portion that was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 11 - POST RETIREMENT BENEFIT PLANS - (Continued)

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

As of December 31, 2003 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.9 billion and \$16.4 billion, respectively, at December 31, 2003 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2003 (the latest information available) was 364,881.

In December 2002, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2003, Comprehensive Annual Financial Report.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 12 - LEASE

The District leases office space under a 10 year renewable operating lease. The current lease expires October 1, 2007. Current future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2004	\$ 4,800
2005	4,800
2006	4,800
2007	<u>4,800</u>
Total	<u>\$ 19,200</u>

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss; related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for other risks of loss, including employee health insurance. The District contracted with Trimmer Insurance for commercial general liability insurance. The coverage insures up to \$1,000,000 for each occurrence and \$2,000,000 for an aggregate total. The Trimmer Insurance Agency provides the public liability insurance.

The District pays an annual premium to the State Workers' Compensation System based on employee compensation and a predetermined rate. This rate is calculated based on accident history and administrative costs.

There were no significant reductions in insurance coverage during the year in any category of risk. Settled claims did not exceed insurance coverage in each of the past three years.

NOTE 14 - AGENT CAPACITY

The District acts in an agency capacity for the Village of Pleasantville (the "Village") in relation to its water service. An administrative fee is charged for the District billing, collections, and depositing the Village's water revenue and at the end of each month issues a check for the total received. The District's receipts and disbursements to the Village totaled \$38,560 for the year ended December 31, 2003.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 15 - CONTINGENT LIABILITY

LITIGATION

The District is currently not involved in litigation that the management or its legal counsel anticipates a loss.

JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Walnut Creek Sewer District
P.O. Box 599
Pleasantville, Ohio 43148

We have audited the general purpose financial statements of Walnut Creek Sewer District, Fairfield County, Ohio, (the “District”) as of and for the year ended December 31, 2003, and have issued our report thereon dated July 21, 2005. 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.

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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-WCSD-001 and 2003-WCSD-002.

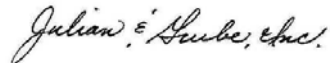
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated July 21, 2005.

Walnut Creek Sewer District
Board of Trustees

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 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-WCSD-003 and 2003-WCSD-004. We also noted other matters that we have communicated to the management of the District in a separate letter dated July 21, 2005.

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



Julian & Grube, Inc.
July 21, 2005

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

1. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2003-WCSD-001
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Payroll Disbursements Segregation of Duties

Based on the size of the District, one individual is responsible for all processing of payroll, which includes entering hourly rates and hours worked into the computer system and determining proper accrual and use of leave time. It was noted during the audit that the Board does not monitor and scrutinize payroll transactions on a routine basis to determine that payroll appears reasonable and proper. We recommend the Board review the information generated from the payroll system on a bi-weekly basis to determine that all payroll information is correct, current, and corresponds to information that is approved by the Board. Review procedures should include determining that correct pay rates are in accordance with the Board approved salary schedules, all changes made to payroll information is properly entered into the system, and the accrual and usage of leave is based on Board policy.

Client Response: The Board will increase the level of monitoring over payroll disbursements.

Finding Number	2003-WCSD-002
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Proper Expenditure Documentation

It was noted during the audit that the administrative assistant is responsible for processing non-payroll disbursements and matching the check to be paid with supporting documentation. The District's Clerk/Treasurer will then sign the check evidencing no discrepancies exist. It was noted during the audit that checks paid by the District did not always have detailed information supporting what the expenditure was for and items purchased were not always for a proper public purpose. We recommend the District increase the level of scrutiny prior to authorizing the check for payment. This will help ensure that expenditures relate to a proper public purpose and that proper supporting detail exists prior to payment.

Client Response: The Board will scrutinize all expenditures prior to approval for payment.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

1. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)

Finding Number	2003-WCSD-003
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that the District did not utilize purchase orders or similar documentation to certify monies allowable prior to disbursement.

Without timely certification, the District may expend more funds than available in the treasury, in the process of collection of than funds appropriated, or may not be for a proper public purpose.

We recommend that the District implement a policy and procedure for expenditures involving the disbursement of money be timely certified to insure that all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The District should issued approved purchase orders and consider using blanket and super blanket purchase orders and/or "Then" and "Now" certificates where applicable.

Client Response: The District will certify expenses via purchase orders prior to issuing a warrant.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

**1. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

Finding Number	2003-WCSD-004
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Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the District had expenses in excess of appropriations as follows:

<u>Fund Type/Object</u>	<u>Appropriations</u>	<u>Expenses</u>	<u>Excess</u>
Sewer Fund			
Operating	\$ 180,847	\$ 190,902	\$ 10,055
Capital Outlay	79,745	94,637	14,892
Debt Service	30,062	30,874	812

With expenditures exceeding appropriations, the District is expending monies that have not been appropriated and approved by the Board. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

Client Response: The Clerk/Treasurer will monitor appropriations throughout the year to ensure compliance.



Mary Taylor, CPA
Auditor of State

WALNUT CREEK SEWER DISTRICT
FAIRFIELD 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
JUNE 24, 2008