



Dave Yost • Auditor of State



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Northwest Water District
15454 State Route 49
Edon, Ohio 43518

We have completed certain procedures in accordance with Ohio Rev. Code Section 117.01(G) to the accounting records and related documents of the Northwest Water District, Williams County, Ohio (the District) for the years ended December 31, 2013 and 2012.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code Section 117.11(A). Because our procedures were not designed to opine on the District's financial statements, we did not follow *generally accepted auditing standards*. We do not provide any assurance on the District's financial statements, transactions or balances for the years ended December 31, 2013 or 2012.

The District's management is responsible for preparing and maintaining its accounting records and related documents. Our responsibility under Ohio Rev. Code Section 117.11(A) is to examine, analyze and inspect these records and documents.

Current Year Observations

1. We noted that the District did not record payments made to the Ohio Water Development Authority on-behalf of the District. These payments were made by a business according to the terms of a legal settlement in the amount of \$70,305 for 2013 and 2012, respectively. The failure to post all financial activity to District financial records could result in the material misstatement of the financial statements. The District should post all financial activity to District's financial records.
2. **Ohio Admin. Code § 117-2-02, (A) and (D)** provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:
 - (A) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
 - (B) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

- (C) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

The District did not maintain accounting records for the two years of the audit. We recommend the District obtain either manual or automated ledgers to record all receipts and disbursements of the District. Also a receipt book should be used to record all receipts received by the District.

3. The District did not perform monthly reconciliations of bank statements. This is a critical control in assuring all transactions are posted accurately and in the proper accounting period. A reconciliation of the District's fund balance should be performed to the monthly bank statement. This reconciliation will help to identify transactions not recorded in the District's records.

Current Status of Matters we Reported in our Prior Engagement

1. Our prior audit included a finding for against **Ohio Rev. Code 5705.41(D)** for failure to properly certify the availability of funds prior to obligation. The District did not certify the availability of funds prior to incurring obligations for all of the expenditures tested for 2013 and 2012. Failure to properly obtain certification of the availability of funds can result in overspending and a possible negative fund balance. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the District should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.
2. The prior audit also included a finding against **Ohio Rev. Code § 5705.28(B) (2)(a)** which provides the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year.

The District did not prepare an operating budget as mentioned above for 2013 and 2012. We recommend the District prepare an annual operating budget in accordance with the requirements of the Revised Code.

3. The prior audit also included a finding against **Ohio Rev. Code § 5705.38** which requires the passage of an annual appropriations measure. **Ohio Rev. Code § 5705.38(C)** requires appropriation measures to be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

The District did not pass appropriations for 2013 and 2012. As result, all expenditures made during 2013 and 2012 were not appropriated which is contrary to **Ohio Rev. Code § 5705.41(B)**.

We recommend the District adopt an appropriation measure for each fiscal year. The appropriations set in this measure should be incorporated into the District's accounting records, normally in the appropriation ledger. Expenditures should then be charged against these appropriations providing the District with a method to which it can monitor spending.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

September 2, 2014

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NORTHWEST WATER DISTRICT

WILLIAMS 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 18, 2014**