



**TROY TOWNSHIP WASTEWATER DISTRICT  
ASHLAND COUNTY  
REGULAR AUDIT  
FOR THE YEARS ENDED DECEMBER 31, 2009-2010**



**Dave Yost • Auditor of State**



**TROY TOWNSHIP WASTEWATER DISTRICT  
ASHLAND COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances For the Years Ended December 31, 2010 and 2009 .....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings .....	15
Schedule of Prior Audit Findings .....	18

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# Dave Yost • Auditor of State

Troy Township Wastewater District  
Ashland County  
P.O. Box 55  
Nova, Ohio 44859

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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

May 27, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Troy Township Wastewater District  
Ashland County  
P.O. Box 55  
Nova, Ohio 44859

To the Board of Trustees:

We have audited the accompanying financial statements of the Troy Township Wastewater District, Ashland County, Ohio, (the District) as of and for the years ended December 31, 2010 and 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.

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 years ended December 31, 2010 and 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Troy Township Wastewater District, Ashland County, Ohio, as of December 31, 2010 and 2009, and its cash receipts and disbursements for the years 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 May 27, 2011, 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

May 27, 2011

**TROY TOWNSHIP WASTEWATER DISTRICT  
ASHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$72,548	\$72,528
Miscellaneous	5,165	74
	<b>77,713</b>	<b>72,602</b>
<b>Operating Cash Disbursements:</b>		
Personal Services	12,009	12,387
Utilities	2,180	1,966
Repairs and Maintenance	6,470	906
Testing and Licenses	65	445
Other Contractual Services	27,169	30,151
Office Supplies and Materials	2,356	1,587
Insurance	2,594	2,518
Refunds/Reimbursements	1,927	
	<b>54,770</b>	<b>49,960</b>
Total Operating Cash Disbursements	<b>54,770</b>	<b>49,960</b>
Operating Income	<b>22,943</b>	<b>22,642</b>
<b>Non-Operating Cash Receipts (Disbursements):</b>		
Intergovernmental		90,120
Interest	1,882	2,032
Proceeds of Revenue Bonds		788,000
Debt Service	(40,186)	(878,120)
	<b>(38,304)</b>	<b>2,032</b>
Total Non-Operating Cash Receipts (Disbursements)	<b>(38,304)</b>	<b>2,032</b>
Net Receipts Over (Under) Disbursements	<b>(15,361)</b>	<b>24,674</b>
Fund Cash Balances, January 1	<b>235,251</b>	<b>210,577</b>
<b>Fund Cash Balances, December 31</b>	<b>\$219,890</b>	<b>\$235,251</b>

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

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**TROY TOWNSHIP WASTEWATER DISTRICT  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 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 Troy Township Wastewater District, Ashland County, Ohio, (the District) as a body corporate and politic. The District was created in November 2001 by the Ashland Court of Common Pleas in accordance with the provisions of Chapter 6119 of the Ohio Revised Code. The District is directed by a five-member Board of Trustees. Board members are appointed by the Troy Township Trustees. The District began charging a user fee in March 2002 to be used toward the local share of connection fees to the sanitary sewer system that was constructed. The District provides sewer services to residents of the District.

The District participates in the Ohio Government Risk Management Plan public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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 investment in STAR Ohio is recorded at the share value the State Treasurer reports.

**D. Budgetary Process**

The Ohio Revised Code requires the Board to budget annually.

**1. Appropriations**

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

**TROY TOWNSHIP WASTEWATER DISTRICT  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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. The District did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**E. 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.

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The District may invest in certificates of deposits, 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:

	2010	2009
Demand deposits	\$25,650	\$62,865
Certificates of deposit	101,758	100,000
Total deposits	127,408	162,865
STAR Ohio		
Total investments	92,482	72,386
Total deposits and investments	\$219,890	\$235,251

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio are evidenced by securities that exist in physical form.

**TROY TOWNSHIP WASTEWATER DISTRICT  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$85,000	\$79,595	(\$5,405)

2010 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$92,386	\$94,956	(\$2,570)

2009 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$897,635	\$952,754	\$55,119

2009 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$949,570	\$928,080	\$21,490

**Noncompliance:**

Contrary to Ohio Rev. Code Section 5705.41(D), the District did not certify the availability of funds for all expenditures during 2010 and 2009.

Contrary to Ohio Rev. Code Section 5705.42, the District did not initially record certain Ohio Public Works Commission on-behalf of transactions as a receipt and disbursement in the District's accounting records.

**4. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Water Resource Revenue Bond	\$780,400	4.375%

The District was approved by the United States Department of Agriculture (USDA) for a loan on May 24, 2004 in the principal amount of \$788,000 for the construction of Wastewater treatment facilities. On January 21, 2009, the District issued \$788,000 of Water Resource Revenue Bonds, Series 2009 to pay off the USDA loan. The Revenue Bonds will be repaid in annual installments, with an interest rate of 4.375% through January 2049. Future revenues from the District's sewer operation collateralize this bond.

**TROY TOWNSHIP WASTEWATER DISTRICT  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. DEBT (Continued)**

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

Year ending December 31:	Sewer Revenue Bonds
2011	\$42,043
2012	42,097
2013	42,034
2014	42,058
2015	42,064
2016-2020	210,283
2021-2025	210,299
2026-2030	210,370
2031-2035	210,257
2036-2040	210,271
2041-2045	210,384
2046-2049	168,205
Total	\$1,640,364

**5. DEBT SERVICE FUNDS**

The District's Revenue bonds require the District to establish a Sewer Debt Service Fund and a Sewer Reserve Fund. These funds are to receive one twelfth and one fifth, respectively, of the monthly receipts. The balances of these funds as of December 31, 2010 are \$12,090 and \$29,015, respectively. For financial reporting purposes, these reserve funds are combined with the District's operating fund.

**6. 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 2010 and 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, 2010.

**TROY TOWNSHIP WASTEWATER DISTRICT  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. RISK MANAGEMENT**

**Risk Pool Membership**

Through December 31, 2008, the District belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The District participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The District does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**TROY TOWNSHIP WASTEWATER DISTRICT  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	<u>2009 OPRM</u>	<u>2009 OPHC</u>	<u>2009</u>	<u>2008</u>
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(1,253,617)</u>	<u>(6,106,102)</u>	<u>(5,286,781)</u>
Members' Equity	<u>\$6,323,701</u>	<u>\$105,185</u>	<u>\$6,428,886</u>	<u>\$5,184,333</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



# Dave Yost • Auditor of State

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

Troy Township Wastewater District  
Ashland County  
P.O. Box 55  
Nova, Ohio 44859

To the Board of Trustees:

We have audited the financial statements of the Troy Township Wastewater District, Ashland County, Ohio, (the District) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 27, 2011, 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 and 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 and another deficiency we consider to be a significant deficiency.

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 a 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 2010-002 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-003 described in the accompanying schedule of findings to be a significant deficiency.

### **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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 27, 2011.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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.



**Dave Yost**  
Auditor of State

May 27, 2011

**TROY TOWNSHIP WASTEWATER DISTRICT  
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001**

**NONCOMPLIANCE**

**Ohio Rev. Code Section 5705.28(B)(2)(b)** states except for this section and sections 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44, and 5705.45 of the Revised Code, a taxing unit that does not levy a tax is not a taxing unit for purposes of Chapter 5705 of the Revised Code.

**Ohio Rev. Code Section 5705.41(D)** provides no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision stating the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board of Trustees can authorize the drawing of a warrant for the payment of the amount due. The Board of Trustees has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

### **FINDING NUMBER 2010-001 (Continued)**

46 percent of expenditures tested were not certified by the Fiscal Officer prior to the purchase commitment being made. It was also found none of the exceptions above were utilized for the items found to be in non-compliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance. In addition, we noted the Board of Trustees did not establish an amount in which blanket purchase orders may be written for.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve control over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to the obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The Board should also establish an amount for which its blanket certificates may be written.

**Officials' Response:** The District will work harder on using purchase orders prior to purchases.

### **FINDING NUMBER 2010-002**

#### **MATERIAL WEAKNESS**

In 2009, Ohio Public Works Commission (OPWC) expended \$90,120, on behalf of the District. Under the terms of this agreement, OPWC made project payments directly to the vendor on the District's behalf. The District did not recognize the \$90,120 as a receipt and disbursement in their accounting records, thus understating their receipts and disbursements. An adjustment was made to the financial statements to recognize these receipts and disbursements.

Any payments made on behalf of the District by another party should be recorded by the District as a receipt and disbursement. Failure to do so results in an understatement of receipts and disbursements. The District should refer to Auditor of State Bulletin 2002-004 and 200-008 for additional guidance.

**Officials' Response:** The District will set up a separate fund next time they receive the OPWC project.

**FINDING NUMBER 2010-003**

**Cash Reconciliation**

**SIGNIFICANT DEFICIENCY**

A necessary step in the internal control over financial reporting is to reconcile all District bank and investment account balances to the accounting record's fund balances. Bank reconciliation means accounting for the differences between the bank/investment statements' balances and the cash and investment balances according to the entity's records at a specific point in time.

The December 31, 2010 bank reconciliations showed a bank over book variance of \$2,727 and at December 31, 2009 bank reconciliations showed a book over bank variance of \$1,177. In 2010, \$2,727 was posted to the District's books to enable the District's book balance to agree with the bank balance. This amount was also adjusted to the financial statements.

Without complete and accurate monthly bank reconciliations, the District's internal control is significantly weakened which could hinder management's timely detection of errors or irregularities. The District should perform complete monthly bank reconciliations in a timely manner. All unreconciled differences should be resolved as quickly as possible.

**Officials' Response:** The District will work with a Quick Books representative to help fix this issue.

**TROY TOWNSHIP WASTEWATER DISTRICT  
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Material Weakness – There were errors with the bank reconciliations and financial statements.	No	Not Corrected. Repeated a similar comment as Finding 2010-003.
2008-002	Ohio Rev. Code Section 5705.41(D) – The District did not properly certify all expenditures.	No	Not Corrected. Repeated as Finding 2010-001.
2008-003	Ohio Rev. Code Section 5705.41(B) – The District had expenditures exceeding appropriations.	No	Not Corrected. Repeated in Management Letter.



# Dave Yost • Auditor of State

**TROY TOWNSHIP WASTEWATER DISTRICT**

**ASHLAND 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 16, 2011**