



Mary Taylor, CPA  
Auditor of State



**WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY**

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Mary Taylor, CPA  
Auditor of State

West Malta Rural Water District  
Morgan County  
P.O. Box 185  
Malta, Ohio 43758

To the Commission:

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). The interpretation applies to the District's 2004 through 2006 financial statements. While AOS does not legally require your government 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 the 2004 through 2006 GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

November 16, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

West Malta Rural Water District  
Morgan County  
P.O. Box 185  
Malta, Ohio 43758

To the Commission:

We have audited the accompanying financial statement of the West Malta Rural Water District, Morgan County, Ohio (the District), as of and for the years ended December 31, 2006, 2005, 2004, 2003, 2002 and 2001. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 this financial statement 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

GAAP require presenting entity wide statements for 2006, 2005 and 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require water 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 statement referred to above for the years ended December 31, 2006, 2005 and 2004 does 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, 2006, 2005 and 2004, or its changes in financial position or cash flow for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of West Malta Rural Water District, Morgan County, Ohio, as of December 31, 2006, 2005, 2004, 2003, 2002 and 2001, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2006, 2005 and 2004. 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 statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2007, 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 16, 2007



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**WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005, 2004, 2003, 2002 AND 2001**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 14,200	\$ 1,700	\$ 6,850
Total Operating Cash Receipts	<u>14,200</u>	<u>1,700</u>	<u>6,850</u>
<b>Operating Cash Disbursements:</b>			
Other Contractual Services	58,326	16,357	72,767
Office Supplies and Materials		59	
Insurance	512		
Total Operating Cash Disbursements	<u>58,838</u>	<u>16,416</u>	<u>72,767</u>
Operating Income/(Loss)	<u>(44,638)</u>	<u>(14,716)</u>	<u>(65,917)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Revenues		26,664	
Proceeds from Sale of Public Debt:			
Other Proceeds from Sale of Public Debt		237,391	
Other Non-Operating Revenues	762	1,144	1,083
Total Non-Operating Cash Receipts	<u>762</u>	<u>265,199</u>	<u>1,083</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	13,684	237,391	8,888
Other Non-Operating Cash Disbursements	638	26,919	36
Total Non-Operating Cash Disbursements	<u>14,322</u>	<u>264,310</u>	<u>8,924</u>
Net Receipts Over/(Under) Disbursements	(58,198)	(13,827)	(73,758)
Cash Balances, January 1	<u>96,633</u>	<u>110,460</u>	<u>184,218</u>
<b>Cash Balances, December 31</b>	<b><u>\$ 38,435</u></b>	<b><u>\$ 96,633</u></b>	<b><u>\$ 110,460</u></b>

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

<u>2003</u>	<u>2002</u>	<u>2001</u>
\$	\$ 500	\$ 150
0	500	150
		303
0	0	303
0	500	(153)
	13,407	
		222,200
1,675	6,555	
1,675	19,962	222,200
8,888	22,295	36,200
36	32	8,532
8,924	22,327	44,732
(7,249)	(1,865)	177,315
191,467	193,332	16,017
<b>\$ 184,218</b>	<b>\$ 191,467</b>	<b>\$ 193,332</b>

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**WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006, 2005, 2004, 2003, 2002 AND 2001**

**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 West Malta Rural Water District, Morgan, Ohio (the District), as a body corporate and politic. The District was established as a separate political subdivision of the State of Ohio under provisions of Chapter 6119 of the Ohio Revised Code. Until construction is completed, the affairs of the District shall be conducted by a ten-member Commission. After construction is completed, the affairs of the District shall be conducted by a three-member Board of Trustees. The Board members are appointed by the Morgan County Common Pleas Court Judge. The District will then provide water services to residents of the District.

The Districts' management believes this financial statement presents all activities for which the District is financially accountable.

**B. Basis of Accounting**

This financial statement follows the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The accounting basis values certificates of deposit at cost.

**D. Budgetary Process**

The Ohio Revised Code requires the District to budget annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

**WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006, 2005, 2004, 2003, 2002 AND 2001  
(Continued)**

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

**D. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not use the encumbrance method of accounting.

A summary of 2006, 2005, 2004, 2003, 2002 and 2001 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

The accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statement does not include these assets.

**2. CASH AND INVESTMENTS**

The District invested in certificates of deposit.

The carrying amount of cash and investments at December 31 follows:

	2006	2005	2004	2003	2002	2001
Demand deposits	\$38,435	\$96,633	\$110,460	\$184,218	\$191,467	\$3,332
Certificates of Deposit	0	0	0	0	0	190,000
Total deposits	<u>\$38,435</u>	<u>\$96,633</u>	<u>\$110,460</u>	<u>\$184,218</u>	<u>\$191,467</u>	<u>\$193,332</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation (FDIC).

At January 1, 2001 through December 31, 2006, the District's deposits in excess of \$100,000 FDIC insurance were not insured or collateralized, contrary to Ohio law.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006, 2005, 2004, 2003, 2002 and 2001 follows:

Budgeted vs. Actual Receipts						
	2006	2005	2004	2003	2002	2001
Budgeted Receipts	\$0	\$0	\$0	\$0	\$0	\$0
Actual Receipts	14,962	266,899	7,933	1,675	20,462	222,350
Variance	<u>\$14,962</u>	<u>\$266,899</u>	<u>\$7,933</u>	<u>\$1,675</u>	<u>\$20,462</u>	<u>\$222,350</u>

**WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006, 2005, 2004, 2003, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Budgeted vs. Actual Budgetary Basis Expenditures						
	2006	2005	2004	2003	2002	2001
Appropriation Authority	\$0	\$0	\$0	\$0	\$0	\$0
Budgetary Expenditures	73,160	280,726	81,691	8,924	22,327	45,035
Variance	(\$73,160)	(\$280,726)	(\$81,691)	(\$8,924)	(\$22,327)	(\$45,035)

The District did not adopt budgeted receipts or appropriations, contrary to Ohio law. In addition, contrary to Ohio law, budgetary expenditures exceeded the District's appropriation authority by \$73,160, \$280,726, \$81,691, \$8,924, \$22,327 and \$45,035, for the years ended December 31, 2006, 2005, 2004, 2003, 2002 and 2001, respectively.

**4. DEBT**

Debt outstanding at December 31, 2006, was as follows:

	Principal	Interest Rate
WSOS Water System Note	\$237,391	6.00%

The WSOS Community Action Commission, Inc., (WSOS) note is a short-term note obtained for the purpose of constructing a new water system. The entire unpaid principal and accrued interest balance is due on September 1, 2007. This note is secured by the pledging of assessment fees.

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

	WSOS
Year ending	Water
December 31:	System Note
2007	\$251,075

**5. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.

**6. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, management believes such refunds, if any, would not be material.

**WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006, 2005, 2004, 2003, 2002 AND 2001  
(Continued)**

**7. SUBSEQUENT EVENTS**

**A. Construction Phase**

The Water District began a water line project in July 2007. The estimated completion date is May 2008. Contracts/expenses and revenue sources are as follows:

<u>Contract/Expense</u>	<u>Amount</u>	<u>Revenue/Grants</u>	<u>Amount</u>
Glen James & Sons, Inc.	\$ 2,329,372	Rural Development Interim Loan	\$ 944,000
Caldwell Tanks, Inc.	383,324	Rural Development Grant #1	848,000
Design & Contract Administration	197,900	Rural Development Grant #2	231,000
Inspection & Engineering	79,936	ARC Grant	300,000
Additional Engineering	58,600	OPWC Loan	646,808
Lands & Right of Ways	20,000	OPWC Credit Enhancement	125,000
Legal	30,000	State CDBG	496,324
Malta Tap Fees	40,000		
Initial Operation & Maintenance	30,000		
Refinancing	10,000		
CDBG Administration	15,000		
Interest	125,000		
RD Capital Fund	272,000		
Total	<u>\$ 3,591,132</u>	Total	<u>\$ 3,591,132</u>

**B. Mechanics Lien**

In October 2007, a mechanics lien of public funds was issued against the West Malta Rural Water District in the amount of \$649,081.42 by HD Supply Water Works, Ltd. This was due to a contractor charging for supplies from HD Supply Water Works, Ltd., for the West Malta Water District construction project.





# Mary Taylor, CPA

Auditor of State

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

West Malta Rural Water District  
Morgan County  
P.O. Box 185  
Malta, Ohio 43758

To the Commission:

We have audited the financial statement of the West Malta Rural Water District, Morgan County, Ohio (the District), as of and for the years ended December 31, 2006, 2005, 2004, 2003, 2002 and 2001, and have issued our report thereon dated November 16, 2007, wherein we noted the District prepared its financial statement using 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 expressing our opinion on the financial statement, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-0010 through 2006-012.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-011 and 2006-012 are also material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated November 16, 2007.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statement is 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-011.

We intend this report solely for the information and use of the management and the Commission. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 16, 2007

**WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006, 2005, 2004, 2003, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2006-001**

**Noncompliance Citation**

Ohio Rev. Code Section 9.38 provides public money must be deposited by a public official other than a state officer, employee, or agent, with the treasurer of the public office or to a designated depository on the business day following the day of receipt if the total amount received exceeds one thousand dollars. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority, only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period.

Ninety-three percent of the tap fee receipts were not deposited timely (five to fifteen days after receipt), in amounts ranging from \$100 to \$500, nor were the receipts safeguarded adequately. Failure to timely deposit receipts could lead to or otherwise indicate that errors, irregularities, misappropriation of assets, or fraud are occurring and going undetected for an extended period of time.

We recommend the District develop and implement policies that would provide for the deposit of monies received in a timely manner. Further, the District should take steps to develop safeguards over these receipts prior to deposit, including, but not limited to, placement in a safe, vault, locked cabinet, or other secure and restricted area.

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

Ohio Rev. Code Section 117.38 requires all cash basis entities to file annual reports with the Auditor of State within 60 days of the fiscal year end. The report shall contain the amount of receipts and amounts due from each source; expenditures for each purpose; income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The District did not file annual financial reports for the years ending December 31, 2006, 2005, 2004, 2003, 2002 and 2001 with the Auditor of State. Further, we noted the District did not publish notice in a local newspaper that the financial reports were available for public inspection.

We recommend the District file an annual financial report with the Auditor of State within 60 days of the fiscal year end. We further recommend the District publish a notice in the local newspaper stating the financial report is available for public inspection.

**WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006, 2005, 2004, 2003, 2002 AND 2001  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2006-003**

**Noncompliance Citation**

Ohio Rev. Code Section 135.18(A) states that the treasurer, before making the initial deposit in a public depository pursuant to an award made under Sections 135.01 to 135.21 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above such portion or amount of such moneys as is at such time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited.

During the audit period, the cash balances on deposit with the bank exceeded the \$100,000 federal deposit insurance limit and pledged securities by the following amounts:

Month	Amount Not Covered by FDIC and Pledged Securities				
	2005	2004	2003	2002	2001
January	\$ 2,264	\$ 74,251	\$ 91,467	\$ 90,000	\$
February	29,131	75,660	91,943	90,000	
March	29,881	63,375	91,943	90,000	
April	29,881	63,525	91,943	90,000	
May	27,413	39,559	92,421	90,000	
June	24,877	32,771	83,533	70,000	127,182
July	25,127	32,985	83,497	70,000	90,000
August	25,434	33,389	83,875	70,000	90,000
September	22,934	8,115	83,875	70,000	90,000
October	22,934	8,615	83,875	90,944	90,000
November	23,165	8,960	84,218	91,467	90,000
December		10,460	84,218	91,467	90,000

As a result, the monies of the District were not adequately protected against loss in the event of a bank failure.

We recommend the District obtain additional specific pledged collateral for protection of the District's monies, or alternatively, participate on the bank's public entity collateral pool.

**WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006, 2005, 2004, 2003, 2002 AND 2001  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-004**

**Noncompliance Citation**

Ohio Rev. Code Section 149.351 establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, damaged or otherwise disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under Sections 149.38 to 149.42 of the Ohio Revised Code.

Minutes of the Commission meetings were not presented for audit for the following months: January 2003, June 2003, July 2003, August 2003, December 2003, May 2004, January 2005, March 2005, August 2005, September 2005 and October 2006. This could call into question the validity of the actions taken by the Commission at these meetings.

We recommend the District and management record minutes for each monthly meeting and take the necessary steps to ensure the integrity of the records and retain all records for audit.

**FINDING NUMBER 2006-005**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.28(B)(2)(a) provides that 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 operating budget is not required to be filed with the county auditor or the county budget commission.

The District did not adopt an operating budget for any of the years under audit. This could result in the District spending more money than is available to spend.

We recommend the District adopt an operating budget prior to the fifteenth of July each year for the upcoming fiscal year.

**FINDING NUMBER 2006-006**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(1) states on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit is to certify the total amount from all sources available for expenditures from each fund set up in the tax budget. Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to increase estimated resources and reduce estimate resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the original amount of estimated resources approved by the legislative authority.

**WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006, 2005, 2004, 2003, 2002 AND 2001  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-006 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.36(A)(1) (Continued)**

Ohio Rev. Code Section 5705.36(A)(3) requires increasing estimated resources if the legislative authority intends to appropriate and expend excess revenue. Ohio Rev. Code Section 5705.36(A)(4) requires reducing estimated resources if the amount of the deficiency will reduce available resources below the current level of appropriation. Ohio Rev. Code Section 5705.36(A)(5) requires that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The Treasurer did not certify the total amount from all sources available for expenditures on or about the first day of the fiscal year to present to the Commission for their approval. Preparing estimated resources adopted by the Commission serves as a budgetary tool of the amount available for the District to spend during the year.

We recommend the Treasurer prepare the total amount from all sources available for expenditures on or about the first day of each fiscal year and have the Commission approve the estimated resources in the minutes. We further recommend the Treasurer amend estimated resources as needed and have the Commission approve the amendments in the minutes.

**FINDING NUMBER 2006-007**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed.

The Commission did not adopt an appropriation measure for the years under audit. This caused a lack of budgetary control by the Commission.

We recommend that on or about the first day of each fiscal year the Commission adopt an appropriation measure.

**FINDING NUMBER 2006-008**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Commission had not adopted appropriations during the audit period; therefore, expenditures exceeded appropriations at December 31, 2006, 2005, 2004, 2003, 2002 and 2001 in the Water Fund in the following amounts:

**WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006, 2005, 2004, 2003, 2002 AND 2001  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2006-008 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)**

<u>Year</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
2001	\$0	\$45,035	(\$45,035)
2002	0	22,327	(22,327)
2003	0	8,924	(8,924)
2004	0	81,691	(81,691)
2005	0	280,726	(280,726)
2006	0	73,160	(73,160)

This caused the Commission to spend money than was not appropriated. In addition, this could result in a negative fund balance.

We recommend the Commission adopt appropriations and monitor its appropriations and expenditures to ensure that expenditures do not exceed appropriations at the legal level of control.

**FINDING NUMBER 2006-009**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above. 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 that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from 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 that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006, 2005, 2004, 2003, 2002 AND 2001  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-009 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

2. **Blanket Certificate** - Fiscal officers may prepare so-called "blanket" certificates not running beyond 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. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The District did not properly certify the availability of funds prior to purchase commitment for 100 percent of the expenditures tested in 2006, 2005, 2004, 2003, 2002 and 2001, and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend the Treasurer certify that the funds are or will be available prior to an obligation being incurred 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 Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied.



**WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006, 2005, 2004, 2003, 2002 AND 2001  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-010**

**Noncompliance Citation and Significant Deficiency**

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should 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.

The District obtained a note in the amount of \$237,391 during 2005 for the purpose of paying off another water systems note in the amount of \$222,200. The two notes were with W.S.O.S. Community Action Commission (WSOS), and, therefore, when the new loan was issued, WSOS kept the new loan proceeds to apply toward the \$222,200 loan. The Treasurer did not post the debt proceeds and the debt service expenditure to the District's books.

The District also received an Ohio Public Works Commission (OPWC) credit enhancement grant in the amount of \$13,407 in 2002. The OPWC paid the Ohio Water Development Authority for an interest payment the District had due. The Treasurer did not post the receipt and the expenditure to its books.

As a result, receipts and disbursements were understated on the District's books and financial statement for 2005 and 2002. Adjustments with which the Commission agrees have been posted to the accompanying financial statement.

We recommend the Treasurer record all debt proceeds and Issue II monies and the corresponding expenditures in the District's books. We also recommend the District amend its estimated receipts and pass supplemental appropriations for these types of transactions.

**FINDING NUMBER 2006-011**

**Noncompliance Citation and Material Weakness**

Ohio Admin. Code Section 117-2-02(D) provides that 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:

- (1) 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.
- (2) 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.

**WEST MALTA RURAL WATER DISTRICT  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006, 2005, 2004, 2003, 2002 AND 2001  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-011 (Continued)**

**Noncompliance Citation and Material Weakness - Ohio Admin. Code Section 117-2-02(D) (Continued)**

- (3) 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 Treasurer maintained a manual cash book as the District's sole accounting record; however, it only included financial activity for the District's checking account. Activity in the District's savings account was not recorded in the manual cashbook. This resulted in adjustments, to which the Commission agreed, to the financial statement.

We recommend the District establish and maintain the required accounting records in compliance with the Ohio Administrative Code.

**FINDING NUMBER 2006-012**

**Material Weakness**

The Treasurer should prepare monthly bank reconciliations to reconcile the District's book balances to the bank balances.

The Treasurer did not prepare monthly bank reconciliations. For most months, the ending book balance agreed to the ending checking account balance. However, the District did not include the activity of all accounts on their books. This resulted in adjustments, to which the Commission agreed, to the financial statement. Not preparing timely and complete monthly bank reconciliations could allow the District's accounts to become out of balance and could result in overspending by the Commission.

We recommend the Treasurer perform bank reconciliations on a monthly basis for all District accounts. This will ensure that the accounting system balance agrees with the bank balance.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.



**Mary Taylor, CPA**  
Auditor of State

**WEST MALTA RURAL WATER DISTRICT**

**MORGAN 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  
DECEMBER 24, 2007**