



**GRANVILLE TOWNSHIP SANITARY DISTRICT
LICKING COUNTY**

INITIAL AUDIT

FOR THE PERIOD DECEMBER 31, 2007-2010



Dave Yost • Auditor of State

**GRANVILLE TOWNSHIP SANITARY DISTRICT
LICKING COUNTY**

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Dave Yost • Auditor of State

Granville Township Sanitary District
Licking County
66 Winstead Circle SW
Granville, Ohio 43023

To the Director:

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

August 5, 2011

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INDEPENDENT ACCOUNTANTS' REPORT

Granville Township Sanitary District
Licking County
66 Winstead Circle SW
Granville, Ohio 43023

To the Director:

We have audited the accompanying financial statements of Granville Township Sanitary District, Licking County, Ohio (the District) for the period ended January 1, 2007 through December 31, 2010. 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 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.

GAAP requires presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the period of January 1, 2007 through December 31, 2010 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, 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of Granville Township Sanitary District, Licking County, Ohio as of December 31, 2007 through December 31, 2010, 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 August 5, 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.



Dave Yost
Auditor of State

August 5, 2011

**GRANVILLE TOWNSHIP SANITARY DISTRICT
LICKING COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE PERIOD OF JANUARY 1, 2007 THROUGH DECEMBER 31, 2010**

Cash Receipts:	
Special Assessments	\$ 44,546
Earnings on Investments	73
Miscellaneous	<u>10</u>
Total Cash Receipts	<u>44,629</u>
Cash Disbursements:	
Current:	
Salaries	4,400
Rental	2,195
Taxes and Other Fees	2,542
Supplies	17
General Insurance	400
Professional Services	<u>3,937</u>
Total Cash Disbursements	<u>13,491</u>
Total Receipts Over/(Under) Disbursements	31,138
Fund Cash Balances, January 1	<u>12,689</u>
Fund Cash Balances, December 31	<u><u>\$ 43,827</u></u>

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

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**GRANVILLE TOWNSHIP SANITARY DISTRICT
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JANUARY 1, 2007 THROUGH DECEMBER 31, 2010**

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 of the Granville Township Sanitary District, Licking County, (the District) as a body corporate and politic. The District was established April 1, 1971, by the Common Pleas Court of Licking County following a petition to the court for the establishment of the District for the abatement and control of mosquitoes. It became operational in May, 1971. In accordance with the statute, responsibility for policy determination for the District resides in the Director appointed by the judges of the Common Pleas Court. The Director administers the District's operations.

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

B. Accounting Basis

The financial statement follows 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.

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

C. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use.

General Fund

The General Fund is the general operating fund. It is used to report all financial resources.

D. Budgetary Process

Encumbrances

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

E. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

**GRANVILLE TOWNSHIP SANITARY DISTRICT
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JANUARY 1, 2007 THROUGH DECEMBER 31, 2010
(Continued)**

2. Equity in Deposits

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Demand deposits	\$43,827	\$45,006	\$5,333	\$8,390

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Property Tax and Special Assessments

Real property taxes and special assessments become a lien on January 1, proceeding the October 1 date for which rates are adopted by the District. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

Currently, the District receives only special assessments. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes and assessments on behalf of the District.

4. Retirement Systems

The District's official is eligible to belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007, OPERS members were required to contribute 9.5% of their gross salaries and the District was required to contribute an amount equaling 13.85% of participants' gross salaries. For 2010, 2009, and 2008, OPERS members were required to contribute 10% of their gross salaries and the District was required to contribute an amount equaling 14% of participants' gross salaries. The District has not paid any contributions to the retirement system.

5. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risk:

- Public Official Bond



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*

Granville Township Sanitary District
Licking County
66 Winstead Circle SW
Granville, Ohio 43023

To the Director:

We have audited the financial statement of Granville Township Sanitary District, Licking County, Ohio (the District) as of and for period of January 1, 2007 through December 31, 2010, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and have issued our report thereon dated August 5, 2011. 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 opinions 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.

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 2010-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 and 2010-02.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 5, 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, District, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

August 5, 2011

**GRANVILLE TOWNSHIP SANITARY DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
JANUARY 1, 2007 THROUGH DECEMBER 31, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-01

Noncompliance, Material Weakness

Not Properly Maintaining Records

Ohio Admin. Code Sections 117-2-02(D) and (E) states 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 that contains the following information: the amount, the date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction,
2. Receipts Ledger that classifies receipts into separate accounts for each type of receipt of each fund the District uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transaction can be recorded in this ledger, and
3. Appropriations Ledger that classifies disbursements 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 the disbursement, and other information required for the transaction can be recorded in this ledger.

Although the District maintained a checkbook register, they did not maintain all the other necessary information described above during the audit period. The lack of accounting records resulted in consulting fees for the compilation of the financial statements.

Further, maintaining organized documentation and support for financial transactions is essential in assuring the District's financial statements are accurately presented and that all expenditures are made for a proper public purpose. Additionally, Ohio Rev. Code Section 149.351 requires that all records that are the property of the public office 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 commission provided for under Ohio Rev. Code Sections 149.38 through 149.42.

We noted that no supporting documentation was maintained for disbursements issued during the audit period, however, we were able to confirm over 90% of expenditures directly with vendors of the District. The remaining expenditures were tested via alternative procedures with no problems noted.

Failure to maintain organized underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose.

We recommend that the District investigate implementing either a manual accounting system, or computerizing the District operations with the ability to maintain the proper records required by the Ohio Administration Code. This will enable the District to more accurately monitor its financial condition on a regular basis, and provide a means by which to create an annual financial report.

**GRANVILLE TOWNSHIP SANITARY DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
JANUARY 1, 2007 THROUGH DECEMBER 31, 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-01 (Continued)

Noncompliance, Material Weakness

Not Properly Maintaining Records

We also recommend the District maintain supporting documents such as invoices and contracts to support the District's expenditures.

FINDING NUMBER 2010-02

Noncompliance

Prior Certification - Ohio Rev. Code Section 5705.41(D)

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity 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 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" certificates - 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution 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 the expenditures by the District.

**GRANVILLE TOWNSHIP SANITARY DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
JANUARY 1, 2007 THROUGH DECEMBER 31, 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-02 (Continued)

Noncompliance (Continued)

Prior Certification - Ohio Rev. Code Section 5705.41(D) (Continued)

2. Blanket certificates - 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 operation expense. This certification is not to extend beyond the current year. More than one so-called "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 any disbursements tested 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 that the Director certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the Director 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 Director should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

Official's Response:

I feel the audit was fair given the circumstances. I realize the previous accounting procedures for the Sanitary District were lax to say the least. I will be contacting an accountant to help make sure our accounting procedures will be more in line with your recommendations in the future.

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Dave Yost • Auditor of State

GRANVILLE TOWNSHIP SANITARY DISTRICT

LICKING 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 22, 2011**