

**WALNUT CREEK SEWER DISTRICT  
FAIRFIELD COUNTY**

**Audit Report**

**Years Ended December 31, 2012 and 2011**







# Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Walnut Creek Sewer District, Fairfield County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Walnut Creek Sewer District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

August 27, 2013

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**WALNUT CREEK SEWER DISTRICT  
FAIRFIELD COUNTY**

**AUDIT REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Walnut Creek Sewer District, Fairfield County, Ohio (the District), as of and for the years ended December 31, 2012 and 2011.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Walnut Creek Sewer District, Fairfield County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 8 to the financial statements during 2011 Walnut Creek Sewer District changed their financial statement presentation from accounting principles generally accepted in the United States of America to the Auditor of State regulatory basis requiring a fund balance restatement. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
June 28, 2013

**WALNUT CREEK SEWER DISTRICT  
FAIRFIELD COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$ 343,878	\$ 326,395
Miscellaneous	1,331	4,049
	<u>345,209</u>	<u>330,444</u>
<b>Operating Cash Disbursements:</b>		
Personal Services	30,294	32,804
Utilities	40,754	39,269
Repairs and Maintenance	68,541	61,768
Testing and Licenses	7,166	3,578
Other Contractual Services	23,444	18,836
Engineering	2,970	2,850
Office Supplies and Materials	10,455	9,924
	<u>183,624</u>	<u>169,029</u>
Total Operating Cash Disbursements	<u>183,624</u>	<u>169,029</u>
Operating Income/(Loss)	161,585	161,415
<b>Non-Operating Cash Receipts:</b>		
Contributions	-	76,682
Earnings on Investments	3,897	491
Sale of Notes	-	17,102
Other Non-Operating Revenues	8,227	-
	<u>12,124</u>	<u>94,275</u>
Total Non-Operating Cash Receipts	<u>12,124</u>	<u>94,275</u>
<b>Non-Operating Cash Disbursements:</b>		
Debt Service:		
Principal Retirement	106,665	72,737
Interest and Fiscal Charges	11,178	13,003
Capital Outlay	5,898	193,666
Other Non-Operating Cash Disbursements	-	1,850
	<u>123,741</u>	<u>281,256</u>
Total Non-Operating Cash Disbursements	<u>123,741</u>	<u>281,256</u>
Net Receipts Over/(Under) Disbursements	49,968	(25,566)
Cash Balances, January 1, Restated Note 8	<u>463,932</u>	<u>489,498</u>
<b>Cash Balances, December 31</b>	<u><b>\$ 513,900</b></u>	<u><b>\$ 463,932</b></u>

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

**WALNUT CREEK SEWER DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Walnut Creek Sewer District, Fairfield County, Ohio (the District) is organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Fairfield County, Ohio, for the purpose of providing sewer service. The territorial limits were set as the entire corporation limits of the Village of Pleasantville and the Village of Thurston. The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a six-member Board of Trustees who is appointed by the Village Councils of Pleasantville and Thurston. The Board of Trustees is responsible for the fiscal control of the assets and the operating funds of the District.

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

**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.

**D. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following type:

**Enterprise Fund**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The District had the following significant Enterprise Fund:

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**WALNUT CREEK SEWER DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**E. 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 fund or function 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.

**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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

**F. 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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**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:

	<u>2012</u>	<u>2011</u>
Demand Deposits	\$ 303,156	\$ 256,431
Certificates of Deposit	<u>210,744</u>	<u>207,501</u>
Total	<u>\$ 513,900</u>	<u>\$ 463,932</u>

**WALNUT CREEK SEWER DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the District or collateralized by the financial institution's public entity deposit pool.

**3 RESTRICTED CASH**

Restricted cash consists of reserve funds that were established by Board resolutions. At December 31, 2012 and 2011, the District had the following restricted funds:

*Bond and Interest Sinking Fund:* Under Bond Resolution No. 9-25-79-2 Section 6B(1) and B(3), the District is required to make monthly deposits into reserve cash accounts of which may be invested at the discretion of the Board. At December 31, 2012 and 2011, the Bond and Interest Sinking Fund account had a balance of \$55,050 and \$53,939, respectively.

*Customer Security Deposits:* The Customer Security Deposit account is restricted for customers opening new accounts. Upon termination of the account, monies are refunded if all required conditions are met. At December 31, 2012 and 2011, the Customer Security Deposit account had a balance of \$19,293 and \$17,858, respectively.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted Receipts vs Actual Receipts

Budgeted Receipts	Actual Receipts	Variance
\$316,417	\$357,333	\$40,916

2012 Budgeted vs Actual Disbursements

Appropriation Authority	Actual Disbursements	Variance
\$379,195	\$307,365	\$ 71,830

2011 Budgeted Receipts vs Actual Receipts

Budgeted Receipts	Actual Receipts	Variance
\$301,350	\$424,719	\$123,369

2011 Budgeted vs Actual Disbursements

Appropriation Authority	Actual Disbursements	Variance
\$433,697	\$450,285	\$ (16,588)

**WALNUT CREEK SEWER DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. BUDGETARY ACTIVITY - CONTINUED**

Contrary to Ohio Revised Code Section 5705.41(B), disbursements exceeded appropriations for the year ended December 31, 2011. Also, contrary to Ohio Revised Code Section 5704.41(D), the District did not always certify purchases.

**5. DEBT**

Debt outstanding at December 31, 2012:

	Balance December 31, 2012	Interest Rate
USDA Rural Development Bonds	\$172,240	5.00%
OWDA Loan # 4060	28,837	5.16%
OWDA Loan # 5194	35,022	0.00%
OPWC Loan # CQ28L	214,406	0.00%
OPWC Loan # CQ29M	534,325	0.00%
Total Debt Outstanding	<u>\$985,300</u>	

Outstanding debt consisted of 1995 Water Resource Revenue Bonds with the Farmers Home Administration bonds (USDA) issued in \$1,000 denominations, bearing interest at 5% per annum, with principal and interest payments due annually on September 1. The final bonds are due September 1, 2019. The bonds are collateralized by charges for service receipts.

The District also secured a sewer rehabilitation loan through the Ohio Water Development Authority (OWDA) in the amount of \$35,404, bearing interest at 5.16%. Principal and interest payments are due semiannually with final payment due July 1, 2034. The loan is collateralized by charges for service receipts.

During 2009 the District entered into a loan agreement with the Ohio Water Development Authority for Wastewater Treatment Plant Improvements. This loan totaled \$1,602,389 and was comprised of Water Pollution Control Loan State and American Reinvestment Recovery Act (ARRA) Funds in the amounts of \$645,429 and \$956,960. This loan bears an interest rate of 0.0% and is collateralized by charges for service receipts. Once the loan is finalized an amortization schedule will be finalized by Ohio Water Development Authority.

The District has pledged future charges for service revenues to repay \$787,598 borrowed from the Ohio Public Works Commission. Proceeds from these loans will be used for Wastewater Treatment Plant Equalization Basin and the Phase II project undertaken by the District. Both loans were issued interest free and an amortization schedule will be finalized once final terms have been approved for loan CQ28L.

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

**WALNUT CREEK SEWER DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**5. DEBT - CONTINUED**

Year	USDA Rural Development Bonds			OWDA Loan #4060		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 22,000	\$ 8,612	\$ 30,612	\$ 738	\$ 1,497	\$ 2,235
2014	23,000	7,512	30,512	776	1,459	2,235
2015	24,000	6,362	30,362	818	1,418	2,236
2016	25,000	5,162	30,162	861	6,404	7,265
2017	26,000	3,912	29,912	905	5,019	5,924
2018-2022	52,240	3,824	56,064	5,287	5,892	11,179
2023-2027	-	-	-	6,822	4,358	11,180
2028-2032	-	-	-	8,977	2,378	11,355
2033-2035	-	-	-	3,653	274	3,927
<b>Total</b>	<b>\$ 172,240</b>	<b>\$ 35,384</b>	<b>\$ 207,624</b>	<b>\$ 28,837</b>	<b>\$ 28,699</b>	<b>\$ 57,536</b>

Year	OPWC Loan CQ28L	OPWC Loan CQ29M
	Principal	Principal
2013	\$ 7,394	\$ 19,430
2014	7,394	19,430
2015	7,394	19,430
2016	7,394	19,430
2017	7,394	19,430
2018-2022	36,970	97,150
2023-2027	36,970	97,150
2028-2032	36,970	97,150
2033-2037	36,970	97,150
2038-2042	29,556	48,575
<b>Total</b>	<b>\$ 214,406</b>	<b>\$ 534,325</b>

An amortization schedule has not been prepared for OWDA loan # 5194.

**6. RETIREMENT SYSTEMS**

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 2012 and 2011, 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, 2012.

**WALNUT CREEK SEWER DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, or damage/destruction of assets, errors and omissions, injuries to employees and natural disasters. The District continues to carry commercial insurance for other risks of loss, including employee health insurance. The District contracted with private carriers for property and fleet insurance, general liability insurance, and various other coverage. The coverage insures up to \$1,000,000 for each occurrence and \$2,000,000 for an aggregate total.

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

There have been no significant reductions in insurance coverage from 2010. Settled claims have not exceeded commercial excess coverage in any of the past three years.

**8. CHANGE IN PRESENTATION/RESTATEMENT OF FUND BALANCES**

In prior years, the District had prepared their financial statements and related notes in accordance with accounting standards generally accepted in the United States of America. In 2011, the District changed their financial statement presentation from accounting principles generally accepted in the United States of America to the Auditor of State regulatory basis, which is similar to the cash basis of accounting. Changes in the beginning cash balance represent the difference in the accrual basis transactions for 2010.

Net Assets, January 1, 2011	\$2,707,455
Accrual basis transactions	(2,217,957)
Cash Balances, Restated January 1, 2011	\$489,498

**9. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor principally the federal government. 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.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Walnut Creek Sewer District, Fairfield County (the District), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 28, 2013, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the District changed its accounting basis from accounting principles generally accepted in the United States of America to the Auditor of State regulatory basis of accounting.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider finding 2012-003 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

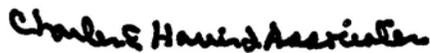
As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 several instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2012-001 and 002.

***Entity's Responses to Findings***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
June 28, 2013

**WALNUT CREEK SEWER DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001  
Noncompliance Citation**

Ohio Revised Code Section 5705.41 (D) requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. 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 state 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.

"Then and Now" Certificate – If the fiscal officer can certify that both at the time 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 the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of 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 expenditure by the District.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution 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.

**WALNUT CREEK SEWER DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</b>
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**FINDING NUMBER 2012-001  
(Continued)**

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 predicible 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.

In our testing of 2012 and 2011 disbursements, we noted that 10% and 100%, respectively did not have purchase orders or similar documentation to certify the availability of monies to cover said purchases.

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 District Office Administrator 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 District certify purchases to which Section 570.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The District’s Office Administrator should sign the certification at the time the District incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The District’s Office Administrator should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

**Official’s Response:**

During 2012, the Office Administrator began using purchase orders.

**WALNUT CREEK SEWER DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</b>
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**FINDING NUMBER 2012-002  
Noncompliance Citation**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the District had disbursements that exceeded appropriations at December 31, 2011 in the Sewer Fund:

Approved Appropriations	Budgetary Expenditures	Variance
\$433,697	\$450,285	\$(16,588)

Disbursements should not exceed appropriations. Failure to follow approved budgets could lead to overspending and the possibility of negative fund balances. To ensure expenditures do not exceed appropriations, the District should monitor its financial activity periodically and amend its approved budgets accordingly.

**Official’s Response:**

The Office Administrator will review budgetary requirements and implement as necessary.

**FINDING NUMBER 2012-002  
Material Weakness**

During the audit period, we noted that the District did not record on-behalf payments and other loan disbursements made by OWDA and OPWC directly to vendors. These transactions were adjusted in the financial statements.

We recommend that the District implement procedures to ensure that future on-behalf payments are recorded in the system and correctly reported in the financial statements.

**Official’s Response:**

We will record future on-behalf payments correctly and include in the financial statements.

WALNUTCREEK SEWER DISTRICT  
 FAIRFIELD COUNTY, OHIO  
 For the Years Ended December 31, 2012 and 2011

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-001	Contrary to <b>Ohio Rev. Code Section 5705.41(D)</b> , District did not certify the availability of funds before contracting to procure goods and services.	No	Repeated as 2012-001

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# Dave Yost • Auditor of State

**WALNUT CREEK SEWER DISTRICT**

**FAIRFIELD COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 10, 2013**