



Dave Yost • Auditor of State

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

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Dave Yost • Auditor of State

Richmond Dale Sewer District
Ross County
P.O. Box 1
Richmond Dale, Ohio 45673

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your District to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

August 30, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Richmond Dale Sewer District
Ross County
P.O. Box 1
Richmond Dale, Ohio 45673

To the Board of Trustees:

We have audited the accompanying financial statement of Richmond Dale Sewer District, Ross County, (the District) as of and for the year ended December 31, 2011. 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 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 statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

GAAP require 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 year ended December 31, 2011 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position or cash flows, where applicable of the District as of December 31, 2011, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above present fairly, in all material respects, the fund cash balance of Richmond Dale Sewer District, Ross County, as of December 31, 2011, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2012, 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.

We conducted our audit to opine on the District's financial statement taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. This schedule was subject to the auditing procedures we applied to the financial statement. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statement taken as a whole.



Dave Yost
Auditor of State

August 30, 2012

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011
Operating Cash Receipts:	
Charges for Service	\$ 35,499
Total Operating Cash Receipts	35,499
Operating Cash Disbursements:	
Salaries	15,318
Personal Services	14,117
Utilities	7,117
Testing and Licenses	6,905
Office Supplies and Materials	16,753
Insurance and Blanket Bond	1,725
Other Costs	18
Total Operating Cash Disbursements	61,953
Operating (Loss)	(26,453)
Non-Operating Cash Receipts:	
Intergovernmental Revenues	469,509
Assessments	23,384
Bond Proceeds	330,000
Loan Proceeds	181,602
Total Non-Operating Receipts	1,004,495
Non-Operating Cash Disbursements:	
Legal Fees	3,230
Capital Outlay	1,064,971
Total Non-Operating Expenditures	1,068,201
Net Receipts Over/(Under) Disbursements	(90,159)
Cash Balance, January 1	441,643
Cash Balance, December 31	\$ 351,483

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

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**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2011**

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 Richmond Dale Sewer District, Ross County, (the District) as a body corporate and politic. The Trustees of Jefferson Township, the sole political subdivision within the District, appointed the District's seven board members. The District provides sewer services to residents of the District.

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

Contrary to Ohio Revised Code 5705, which requires the District to budget each fund annually, the District did not adopt a certificate of estimated resources or appropriation measure. Accordingly, all expenditures violated budgetary requirements.

B. Accounting Basis

This 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. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not use the encumbrance method of accounting.

A summary of budgetary activity appears in Note 3.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Property, Plant, and Equipment

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

2. EQUITY IN DEPOSITS

The carrying amount of deposits at December 31 was as follows:

	2011
Demand deposits	<u>\$351,483</u>

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

3. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #5690	\$370,311	1.37%
Special Assessment Bond	\$330,000	2.25%
Total	<u>\$700,311</u>	

The District obtained OWDA loan #5690 to finance the construction of a water treatment plant and sewer lines. The loan was issued on July 29, 2010 for an amount up to \$638,841 and has a maturity date of July 20, 2013. The loan requires only one payment of the total amount of the loan, on the maturity date. Total loan balance as of 12/31/11 is \$370,311. Collateral for this loan was provided by revenues received from the research and development grant. As stated in Note 8, the OWDA loan was repaid on May 21, 2012.

The District obtained a \$330,000 special assessment revenue bond on November 28, 2011 in order to re-pay the OWDA loan the District had accumulated. Charges for services revenues collected by the District serve as collateral for the bond.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2011
(Continued)**

3. DEBT (Continued)

Amortization of the special assessment bonds, including interest, is scheduled as follows:

Year ending December 31:	Special Assessment Bonds
2012	\$12,555
2013	12,555
2014	12,555
2015	12,555
2016	12,555
2017-2021	62,777
2022-2026	62,777
2027-2031	62,777
2032-2036	62,777
2037-2041	62,777
2042-2046	62,777
2047-2051	62,707
Total	\$502,144

4. RETIREMENT SYSTEMS

The District's employee belongs 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 2011, OPERS members contributed 10% and the District contributed an amount equaling 14%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2011.

5. SPECIAL ASSESSMENT

The District issued a special assessment against all properties within the District in 2008. Each property is assessed a five dollar per month fee. The District collects from approximately 175 households. The collections began in 2009.

6. RISK MANAGEMENT

Commercial Insurance

The District is uninsured for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2011
(Continued)**

7. 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.

8. SUBSEQUENT EVENTS

On May 21, 2012 the District paid the Ohio Water Development Authority \$374,605, which included capitalized interest, towards its loan with proceeds obtained from its Special Assessment Bonds.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor / Pass through Grantor / Program Title	Federal CFDA Number	Expenditures
<i>Funding received directly from the U.S. Department of Agriculture</i>		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 325,155
<i>Funding received directly from Appalachian Regional Commission</i>		
Appalachian Area Development	23.002	\$ 250,000
<i>Funding received directly from the U.S. Armp Corp. of Engineers</i>		
Section 594 of the Water Resources Development Act of 1999	12.xxx	<u>28,627</u>
Total Federal Expenditures		<u><u>\$ 603,782</u></u>

The accompanying notes are an integral part of this schedule.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Richmond Dale Sewer District, Ross County, (the District) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.



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*

Richmond Dale Sewer District
Ross County
P.O. Box 1
Richmond Dale, Ohio 45673

To the Board of Trustees:

We have audited the financial statement of Richmond Dale Sewer District, Ross County, Ohio (the District) as of and for the year ended December 31, 2011, and have issued our report thereon dated August 30, 2012 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-004 described in the accompanying schedule of findings and questioned costs 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 and questioned costs as items 2011-001 through 2011-003 and 2011-005.

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 30, 2012.

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

We intend this report solely for the information and use of management, the Board of Trustees, and federal awarding agencies and pass-through entity, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

August 30, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Richmond Dale Sewer District
Ross County
P.O. Box 1
Richmond Dale, Ohio 45673

To the Board of Trustees:

Compliance

We have audited the compliance of Richmond Dale Sewer District, Ross County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Richmond Dale Sewer District's major federal program for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings and questioned cost identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

As described in finding 2011-006 and 2011-007 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Allowable Costs/Cost Principles and Activities Allowed/Unallowed applicable to its Water and Waste Disposal System for Rural Communities Grant major federal program. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Richmond Dale Sewer District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-006 and 2011-007 to be material weaknesses.

The District's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. 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 the audit committee, management, the Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

August 30, 2012

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 10.760 Water and Waste Disposal Systems for Rural Communities
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2011-001

Annual Financial Report Filing – Material Non-Compliance

Ohio Rev. Code Section 117.38 states that public offices reporting pursuant to generally accepted accounting principles must file annual reports with the Auditor of State within 150 days following the close of fiscal year end. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Also, at the time the report is filed with the Auditor of State, the chief fiscal officer shall publish notice in a newspaper published in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011
(Continued)**

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

FINDING NUMBER 2011-001 (Continued)

Annual Financial Report Filing – Material Non-Compliance (Continued)

The District did not file its annual cash-basis financial report to the Auditor of State for fiscal year ending December 31, 2011. No extension was filed. As of April 26, 2012, no annual financial report has been filed with the Auditor of State. Furthermore, the District failed to provide notice in a local newspaper that the financial report was available for public inspection since the annual financial reports have not been filed.

Failure to timely file annual financial reports could be a sign of an inadequate accounting system.

We recommend the District file their annual cash-basis financial report to the Auditor of State within 60 days of fiscal year end and ensure the filing is accurate and complete. We further recommend the annual report be publicized in a local newspaper stating the financial report is available for public inspection at the office of the Treasurer.

Official's Response:

The District has hired a local CPA firm to assist in the preparation of the annual report in efforts to meet the required deadline.

FINDING NUMBER 2011-002

Adoption and Monitoring of Budget – Material Non-Compliance

Ohio Rev. Code Section 5705 provides budgetary law for taxing districts, including adoption of estimated revenues and appropriations to be filed with the County Budget Commission. If, as is the case with the District, taxing districts do not levy a tax, Ohio Rev. Code Section 5705.28(B)(2)(a) requires a comparable but somewhat streamlined budgetary process.

For taxing districts which do not levy a tax, Ohio Rev. Code Section 5705.28 still requires such taxing districts to comply with the following:

- Ohio Rev. Code Section 5705.36 - Certification of Available Revenue - must adopt a budget contained revenue estimates.
- Ohio Rev. Code Section 5705.38/5705.40 - Appropriation Measure - must adopt a formal appropriation resolution and approve any amendments.
- Ohio Rev. Code Section 5705.41(B) no taxing unit is to expend money unless it has been appropriated.
- Ohio Rev. Code Section 5705.41(D) - no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

Additionally the District's board should monitor budgeted and actual revenues to ensure completeness and accuracy of posted transactions, and whether budgeted amounts need to be amended.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011
(Continued)**

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

FINDING NUMBER 2011-002 (Continued)

Adoption and Monitoring of Budget – Material Non-Compliance

The District adopted an operating budget for 2011, however the budget was not adopted until November and amounts varied significantly from actual revenues and expenditures; additionally there was no indication that the board monitored actual results compared to the budgeted amounts. By not monitoring a budget the District is at risk of spending more monies than available and did expend more than approved appropriations. We also noted the District did not use encumbrance accounting or any other method of fiscal officer certification that funds were available for disbursements.

We recommend the District implement procedures to ensure compliance with the above aspects of Ohio budgetary laws. The District's board should also review periodic, perhaps monthly, budget versus actual reports to ensure the completeness and accuracy of transactions.

Official's Response:

District will work to prepare a budget for the following fiscal year and will consult with its accountant to provide budget vs. actual reports.

FINDING NUMBER 2011-003

Prior Certification of Expenditures – Material Non-Compliance

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 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 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.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011
(Continued)**

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

FINDING NUMBER 2011-003 (Continued)

Prior Certification of Expenditures – Material Non-Compliance

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 utilize an encumbrance system during 2011.

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

Official’s Response:

The District will consult with its accountant to discuss creating a purchase order system.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011
(Continued)**

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

FINDING NUMBER 2011-004

Financial Statement Adjustments – Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the District's December 31, 2011 financial statements and accounting records:

1. To increase intergovernmental receipts and capital outlay by \$80,277 for payments made on behalf of the District with CDBG grant funds.
2. To reclassify \$389,232 of revenue recorded as loan proceeds to intergovernmental revenues on the financial statements.
3. Various other reclassifications of revenues and expenses.

Although the District has implemented various controls over financial reporting, the need to issue audit reclassifications suggests controls may not be effective or may not be operating as intended.

We recommend the District analyze controls currently in place over financial reporting and determine the controls are functioning as intended and are adequate to reduce the risk of reporting incomplete or inaccurate financial information within the financial statements.

Official's Response:

The District will apply these adjustments to future preparation of the financial statements.

FINDING NUMBER 2011-005

Classification of Funds – Material Non-Compliance

See Federal Finding #2011-007 below; GAGAS also requires us to report this finding.

Official's Response:

The District will consult with its accountant to establish separate funds for grant monitoring.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Allowable Costs/Cost Principles – Questioned Costs/Material Weakness

Finding Number	2011-006
CFDA Title and Number	CFDA # 10.760 Water and Waste Disposal Systems for Rural Communities
Federal Award Number / Year	2011
Federal Agency	United States Department of Agriculture
Pass-Through Agency	None

2 C.F.R. Part 225, Appendix A Section C3 states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. Further, 2 C.F.R. Part 225, Appendix A Section C1 lists the factors affecting allowability of costs. To be allowable under Federal awards, costs must be adequately documented and not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period, and be adequately documented.

The Rural Development Grant, received from the United States Department of Agriculture, was granted for the purpose of acquisition, construction, enlargement or capital improvement of a waste water system. The District used \$28,346 of these grant monies to pay operational expenditures that did not meet the activities of the grant agreement. These non-Federal expenditures included \$16,421 of supplies and equipment, \$6,295 of audit costs unrelated to the OMB Circular A-133 single audit, \$2,440 of contracted management services, \$1,546 of legal services and legal ads, \$945 of utility payments, \$610 water sample testing and \$89 for postage that were directly allocated to the Federal program with no supporting documentation for the relative benefit received. Prior to the expenditure of grant funds, the District should ensure that expenditures are allowable activities, as described within the grant agreement. Where a Federal program benefits indirectly from a particular cost, the District should obtain a pre-approved indirect cost allocation plan and allocate only allowable indirect expenditures to the Federal program according to the methods described within the plan.

We recommend the District to establish control procedures ensure that expenditures, paid with federal grant funding, are in compliance with the allowable cost principles of the grant prior to approving the expenditure of the federal grant funds.

Officials' Response and Corrective Action Plan:

The District followed the guidance provided by the U.S. Department of Agriculture. This grant has ended, however the District will strive to ensure that expenditures are in compliance with allowable activities for future grant programs.

Anticipated Completion Date:	September 5, 2012
Responsible Contact:	Mary Wampler, Treasurer

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Classification of Funds – Material Non-Compliance and Material Weakness

Finding Number	2011-007
CFDA Title and Number	CFDA # 10.760 Water and Waste Disposal Systems for Rural Communities
Federal Award Number / Year	2011
Federal Agency	United States Department of Agriculture
Pass-Through Agency	None

7 CFR 3016.20(b)(2) states grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures and income.

Ohio Rev. Code Section 5705.09 requires each subdivision to establish a special fund for each class of revenue derived from a source other than general property tax, which the law requires to be used for a particular purpose.

The Water and Waste System Grant Agreement with the United States Department of Agriculture for Rural Utilities Service section M (3) also requires for grantees to maintain effective control over and accountability for all funds and assure that they are use solely for authorized purposes.

The District commingled all receipts and expenditures, including the receipts and expenditures from multiple federal grants, into one fund within its accounting records. This method of accounting prohibited the District from being able to easily identify the federal receipts and expenditures that were made from each federal grant.

We recommend for the District to monitor its federal grant receipts and expenditures in separate funds for each grant so that the District can easily identify its receipts and expenditures for each federal grant.

Officials' Response and Corrective Action Plan:

This grant has ended, however the District will consult with its accountant to establish separate funds for grant programs in the future.

Anticipated Completion Date: September 5, 2012
Responsible Contact: Mary Wampler, Treasurer

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Annual Financial Report Filing – Material Non-Compliance Ohio Rev. Code Section 117.	No.	Not Corrected- reissued as Finding 2011-001.
2010-002	Prior Certification of Funds (Encumbrance Accounting) – Material Noncompliance Ohio Revised Code § 5705.41(D)	No.	Not Corrected –reissued as Finding 2011-003
2010-003	Adoption of a Budget – Material Non-Compliance Ohio Revised Code Section 5705.28 (B)(2)(a)	No.	Not Corrected- reissued as Finding 2011-002.
2010-004	Financial Statement Adjustments – Material Weakness	No.	Not Corrected- reissued as Finding 2011-004



Dave Yost • Auditor of State

RICHMOND DALE SEWER DISTRICT

ROSS 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 25, 2012**