



**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006**



**Mary Taylor, CPA**  
Auditor of State



**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

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# Mary Taylor, CPA

Auditor of State

Henry County Regional Water and Sewer District  
Henry County  
P.O. Box 146  
Napoleon, Ohio 43545-0146

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 a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 16, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Henry County Regional Water and Sewer District  
Henry County  
P.O. Box 146  
Napoleon, Ohio 43545-0146

To the Board of Trustees:

We have audited the accompanying financial statements of the Henry County Regional Water and Sewer District, Henry County, (the District) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, 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 district to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2006 and 2005, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Henry County Regional Water and Sewer District, Henry County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit



**Mary Taylor, CPA**  
Auditor of State

May 16, 2007



**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<b>2006</b>	<b>2005</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$21,852	\$15,438
<b>Operating Cash Disbursements:</b>		
Personal Services		
Utilities	5,245	2,889
Testing and Licenses	294	8,586
Other Contractual Services	51,328	49,207
Office Supplies and Materials	209	858
Insurance	2,558	2,550
Capital Outlay	76,480	406,970
Total Operating Cash Disbursements	136,114	471,060
Operating Loss	(114,262)	(455,622)
<b>Non-Operating Cash Receipts:</b>		
Other Proceeds from Sale of Public Debt	223,446	445,695
Miscellaneous	358	133
Total Non-Operating Cash Receipts	223,804	445,828
<b>Non-Operating Cash Disbursements:</b>		
Debt Service	105,224	4,306
Net Receipts Over/(Under) Disbursements	4,318	(14,100)
Fund Cash Balances, January 1	3,750	17,850
<b>Fund Cash Balances, December 31</b>	<b>\$8,068</b>	<b>\$3,750</b>

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

**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**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 Henry County Regional Water and Sewer District, Henry County, (the District) as a body corporate and politic. The Regional Water and Sewer District as allowed by ORC 6119.02 was established in 2003. The Henry County Commissioners appoint the Board of Trustees to direct the District. There are 5 Board members. The District includes all unincorporated areas within the County excluding Ridgeville District. The District provides water and sewer services to residents of the District.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**B. Basis of Accounting**

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits**

The District assets are in a checking account.

**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 Enterprise Fund Type.

Enterprise Funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District had the following significant Enterprise Funds:

Water Fund - This fund received Ohio Public Works Commission (OPWC) loan monies to connect residents to the District Road P waterline, and receives charges for services from those residents to repay the loan used to provide this utility.

Sewer Fund - This fund received Ohio Water Development Authority (OWDA) loan monies to help finance the installation of a lagoon jointly with the Village of Florida and to help create a wastewater collection system for the Okolona area residents. This fund also receives charges for services from the Okolona area residents to cover the cost of providing this utility.

**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**E. Budgetary Process**

The Ohio Revised Code requires the District to budget annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH**

The District maintains a cash pool both funds use. The carrying amount of cash at December 31 follows:

	2006	2005
Demand deposits	<u>\$8,068</u>	<u>\$3,750</u>

Deposits are insured by the Federal Depository Insurance Corporation;

**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

Budgeted vs. Actual Receipts		
Fund Type	2006	2005
Budgeted Receipts		
Actual Receipts	\$245,656	\$461,266
Variance	(\$245,656)	(\$461,266)

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2006	2005
Appropriation Authority		
Budgetary Expenditures	\$241,338	\$475,366
Variance	(\$241,338)	(\$475,366)

**4. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
OWDA loan #4259	\$412,937	2.88%
OWDA loan #4473	83,127	4.99%
OPWC loan #CE271	83,450	0.00%
Total	\$579,514	

The Ohio Water Development Authority (OWDA) loans are being used as interim financing to help finance the installation and creation of a lagoon and wastewater collection system for the Okolona area residents. These OWDA loans will be repaid with an \$840,000 loan from the United States Department of Agriculture Rural Development. This loan has been approved, but not disbursed or drawn on as of December 31, 2006. As of December 31, 2006, amortization schedules have not been prepared for the OWDA loans as they are still open with payments not scheduled to begin till the loans are finalized.

The Ohio Public Works Commission (OPWC) loan was used to connect the District's Road P customers to the District waterline. Repayment of the OPWC loan is scheduled to begin in 2007.

**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. DEBT – (Continued)**

Amortization of the above OPWC debt is scheduled as follows:

Year ending December 31:	OPWC Loan #CE271
2007	\$2,086
2008	4,173
2009	4,173
2010	4,173
2011	4,173
2012-2016	20,862
2017-2021	20,862
2022-2026	20,862
2027-2031	2,086
Total	\$83,450

**5. RISK MANAGEMENT**

The District belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. RISK MANAGEMENT – (Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2005 and 2004 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**6. SUBSEQUENT EVENTS**

In 2006, the District approved an agreement with the City of Napoleon. The City of Napoleon will be billing and collecting from the District's Road P waterline customers, for the District. The City will then disburse these collections to the District (less a fee). As of December 31, 2006, no collections had been received by the District.

The District has been approved for an \$840,000 loan and \$686,000 grant from the United States Department of Agriculture (USDA) for the installation and construction of a lagoon and wastewater collection system for the Okolona area residents. During 2005 and 2006 the District received interim financing for this project through Ohio Water Development Authority (OWDA) loans. A portion of the USDA monies will be used to retire the OWDA loans. The estimated cost of the project is \$2,026,000. As of April 2007 no USDA monies have been disbursed. The District is also seeking \$500,000 in Community Development Block Grant (CDBG) monies to help finance the project.

**7. COMPLIANCE**

Contrary to the Ohio Revised Code the District never adopted a budget which caused expenditures to exceed appropriations in all funds.

**8. DEFICIT FUND BALANCE**

The District had a deficit in the Water Fund of (\$16,983) and (\$10,676) as of December 31, 2006 and 2005, respectively. Also, as of December 31, 2006, the District owed \$20,933 to an engineering firm for work incurred on a water project that was eventually determined to be economically unfeasible.

As of May 16, 2007, management has not developed a formalized plan to address these conditions, nor have the Trustees adopted a budget for 2007. The unaudited deficit in the Water Fund as of May 2, 2007, was (\$19,996), (the most current date available).



# Mary Taylor, CPA

Auditor of State

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

Henry County Regional Water and Sewer District  
Henry County  
P.O. Box 146  
Napoleon, Ohio 43545-0146

To the Board of Trustees:

We have audited the financial statements of the Henry County Regional Water and Sewer District, Henry County, (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 16, 2007, 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 expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-004.

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

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

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

#### **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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-003.

We also noted certain noncompliance or other matter not requiring inclusion in this report that we reported to the District' management in a separate letter dated May 16, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

May 16, 2007



**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Noncompliance Citation**

Ohio Administrative Code § 117-2-02 (A) All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The District's financial records for 2006 and 2005 indicated the following:

- The cash journal separated out water and sewer fund revenues and expenditures, but did not show separate water and sewer fund balances.
- OWDA and OPWC loan monies paid on behalf of the District were not posted by the District on its financial records.
- Revenues and expenditures were posted to the wrong funds in the cash journal.
- There were no journals which showed itemized and accumulated year to date totals for each revenue and disbursement line item
- Five of the eighty-three checks issued during the audit period lacked supporting documentation of any kind.
- The District discontinued using the UAN automated accounting system in March, 2005, and reverted to a manual system. Numerous computation and posting errors occurred on the District's manual system.

These conditions caused several audit adjustments which were needed to correct the District's financial statements. It may have also contributed to a deficit fund balance in the Water Fund. This indicates a lack of financial monitoring by the Board of Trustees. To ensure the records are complete and accurate, the District's Board should review the records to ensure all amounts are appropriately recorded. To assist the Board with their review the Clerk should provide the Board with monthly financial statements that detail activity by fund and in total. The District could gain efficiencies in both financial accounting and reporting if they would consider investing in a computerized accounting system, such as the Uniform Accounting Network, which would reduce the likelihood of computation errors and would maintain individual fund balances. Such a computerized system would also assist in preparing annual financial reports.

**Officials' Response**

We did not receive a response from Officials to this finding.

## FINDING NUMBER 2006-002

### Noncompliance Citation

Ohio Rev. Code § 5705.28(B)2(a) states that a taxing authority of a taxing unit that does not levy a tax is required to adopt an operating budget on or before the fifteenth day of July each year for the ensuing fiscal year. Additionally, Ohio Revised Code § 5705.38 states in part that on or about the first day of each year, the taxing authority of each subdivision or taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. Also, Ohio Revised Code 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

The District did not pass an operating budget or appropriation measure for 2006 and 2005. This resulted in expenditures exceeding appropriations in all funds for 2006 and 2005, and may have contributed to a deficit fund balance in the Water Fund in 2006 and 2005.

We recommend that the District officials review Auditor of State Bulletin 99-014 entitled Compliance with Budgetary Requirements and the Ohio Compliance Supplement, and adopt a budget at the legal level of control for each fund prior to the start of each fiscal year. This budget should be used as a monitoring tool to ensure expenditures stay within prescribed limits. Adopting and monitoring a budget would help make sure the District uses its resources in the most economical manner and would help maintain the District's financial stability.

### Officials' Response

We did not receive a response from Officials to this finding.

## FINDING NUMBER 2006-003

### Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) 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. Further, contracts and order for expenditures lacking prior certification shall be null and void.

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

**1. "Then and Now" certificate** – If the fiscal officer can certify 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 ordinance or resolution.

**FINDING NUMBER 2006-003  
(Continued)**

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

**2. Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the transactions tested were certified by the fiscal officer at the time the commitment was incurred 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 Clerk 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 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials’ Response**

We did not receive a response from Officials to this finding.

## FINDING NUMBER 2006-004

### Material Weakness

#### Board Review

The small size of the District's fiscal operations does not allow for an adequate segregation of duties. It is therefore important that the Board of Trustees monitor financial activity closely. The following deficiencies were noted in the monitoring of the financial activity by the Board:

- Meeting minutes show the Board reviews a monthly treasurer's report starting in 2006, however, there is no documentation of what this includes.
- Monthly bank reconciliations were not documented, which resulted in an undetected \$3,322 bank error in November 2005.
- Of the eighty-three checks issued in 2006 and 2005 the following was evident:
  - . Seven checks were issued for less than the invoice amount,
  - . Late charges were paid on five checks issued,
  - . Four checks were issued which lacked a second signature,
  - . \$2,946 was paid to UAN for hardware and software, for the period March 2005 through June 2006, when it was only utilized up through the February 2005, and
  - . Several payments were posted to the wrong fund which was corrected by way of audit adjustments.
- There was no system in place to ensure that all revenues due were received. The District was unaware that a payment due from the Village of Florida for September 2005 was unremitted until payment was received in September 2006.

These weaknesses indicate a lack of monitoring of financial activity by the Board of Trustees and significantly increase the likelihood that improper expenditures could occur or that District resources could be wasted. It may also cause the District to not receive all revenues to which it is entitled. To correct these deficiencies, we recommend that:

- The Clerk should prepare monthly bank reconciliations which would compare combined fund balances to total cash at the bank.
- The Board should review the District's monthly activity spreadsheet including revenues, expenditures, fund balances, the monthly bank reconciliation, as well as a comparison of budgeted receipts and expenditures to actual amounts. These documents should either be included in with the monthly minutes and/or be initialed by the Board to show their review.
- The Board should review all expenditures prior to payment for accuracy, timeliness, supporting documentation, proper signatures, and correct posting. The Board should also review expenditures so as to ensure that the District's monies are always being used for purposes which effectively and efficiently benefit the District. In addition, dual signatures should be required on all checks.
- The Board should maintain a schedule of payments due. Late or missing payments should be investigated in a timely manner.

#### Officials' Response

We did not receive a response from Officials to this finding.

**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	ORC §5705.28(A)2(a) for not passing a budget or appropriations	No	Not Corrected. Reissued as 2006-002.





**Mary Taylor, CPA**  
Auditor of State

**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT**  
**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**JUNE 12, 2007**