



**TROY TOWNSHIP WASTEWATER DISTRICT
ASHLAND COUNTY**

SINGLE AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006-2005



Mary Taylor, CPA
Auditor of State

**TROY TOWNSHIP WASTEWATER DISTRICT
ASHLAND COUNTY**

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Mary Taylor, CPA

Auditor of State

Troy Township Wastewater District
Ashland County
P.O. Box 55
Nova, Ohio 44859

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 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 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

August 10, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Troy Township Wastewater District
Ashland County
P.O. Box 55
Nova, Ohio 44859

To the Board of Trustees:

We have audited the accompanying financial statements of the Troy Township Wastewater District, Ashland County, Ohio, (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.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, 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 for the years then ended.

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

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 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.

Federal Award Expenditures Schedule

We conducted our audit to opine on the District's financial statements. The Federal Award Expenditures Schedule is required by 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 statements. We subjected the Federal Award Expenditures Schedule to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

August 10, 2007

**TROY TOWNSHIP WASTEWATER DISTRICT
ASHLAND COUNTY**

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

	2006	2005
Operating Cash Receipts:		
Charges for Services	\$93,784	\$29,156
Operating Cash Disbursements:		
Personal Services	14,587	7,693
Other Contractual Services	97,529	24,585
Office Supplies and Materials	1,378	3,762
Insurance	5,289	4,119
Miscellaneous Expenditures	4,441	
Capital Outlay	1,753,327	17,804
Total Operating Cash Disbursements	1,876,551	57,963
Operating Income/(Loss)	(1,782,767)	(28,807)
Non-Operating Cash Receipts:		
Intergovernmental Revenues	1,399,264	29,165
Loan Proceeds	788,000	
Other Non-Operating Revenues	4,293	
Total Non-Operating Cash Receipts	2,191,557	29,165
Non-Operating Cash Disbursements:		
Debt Service - Principal	259,474	
Debt Service - Interest	41,461	
Total Non-Operating Cash Disbursements	300,935	
Net Receipts Over/(Under) Disbursements	107,855	358
Fund Balances, January 1	26,458	26,100
Fund Balances, December 31	\$134,313	\$26,458

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

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**TROY TOWNSHIP WASTEWATER DISTRICT
ASHLAND 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 Troy Township Wastewater District, Ashland County, Ohio, (the District) as a body corporate and politic. The District was created in November 2001 by the Ashland Court of Common Pleas in accordance with the provisions of Chapter 6119 of the Ohio Revised Code. The District is directed by a five-member Board of Trustees. Board members are appointed by the Troy Township Trustees. The District began charging a user fee in March 2002 to be used toward the local share of connection fees to the sanitary sewer system that is being constructed. The District provides 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 and Investments

The accounting basis includes investments as assets. This basis does not report purchases of investments as disbursements or investment sales as receipts. This basis recognizes gains or losses at the time of sale as receipts or disbursements, respectively.

The investment in STAR Ohio is recorded at the share value the State Treasurer reports.

D. Budgetary Process

The Ohio Revised Code requires the District to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 balances as of January 1.

**TROY TOWNSHIP WASTEWATER DISTRICT
ASHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 encumber all commitments required by Ohio law. Management has adjusted the budgetary presentations to include material audit adjustments for items management should have encumbered.

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

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District may invest in obligations of the State.

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

	2006	2005
Demand deposits	\$90,464	\$26,458
STAR Ohio	43,849	0
Total deposits and investments	\$134,313	\$26,458

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

Investments: Investments in STAR Ohio are evidenced by securities that exist in physical form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 is as follows:

Budgeted vs. Actual Receipts		
Fund Type	2006	2005
Budgeted Receipts	\$444,953	\$2,878,100
Actual Receipts	2,285,341	58,321
Variance	\$1,840,388	(\$2,819,779)

**TROY TOWNSHIP WASTEWATER DISTRICT
ASHLAND COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2006	2005
Appropriation Authority	\$1,336,303	\$2,877,200
Budgetary Expenditures	2,177,486	57,963
Variance	(\$841,183)	\$2,819,237

Contrary to Ohio Rev. Code Section 5705.41(D), the Waste Water District did not certify the availability of funds prior to incurring certain purchase commitments.

Contrary to Ohio Rev. Code Section 5705.41(B), the total expenditures exceeded the total appropriations for 2006.

Contrary to Ohio Rev. Code Section 5705.28(B)(2)(c), the appropriations exceeded the total estimated resources for 2006.

Contrary to Ohio Rev. Code Section 5705.42, the District did not record grants and loans paid directly to contractors by the State.

4. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority	\$788,000	4.38%

The District was approved by the United States Department of Agriculture (USDA) for a loan on May 24, 2004 in the principal amount of \$788,000 for the construction of Waste Water treatment facilities. The UDSA refinanced \$300,935 (\$259,474 principal and \$41,461 accrued interest) from OWDA and the District has received draw downs of \$487,065 as of December 31, 2006. The District will begin repayment of the loan when the project is completed at an annual rate of 4.38%, therefore, an amortization schedule will be presented upon completion of the project.

5. RETIREMENT SYSTEM

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 percent and 8.5 percent, respectively, of their gross salaries and the District contributed an amount equal to 13.7 percent and 13.55 percent, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

**TROY TOWNSHIP WASTEWATER DISTRICT
ASHLAND COUNTY**

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

6. RISK MANAGEMENT

Risk Pool Membership

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.

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.

7. CONTINGENT LIABILITIES

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



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*

Troy Township Wastewater District
Ashland County
P.O. Box 55
Nova, Ohio 44859

To the Board of Trustees:

We have audited the financial statements of the Troy Township Wastewater District, Ashland County, Ohio, (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 10, 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: Finding Number 2006-001 through 2006-005.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe Finding Number 2006-002 is also 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 that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 and 2006-003 through 2006-005.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 10, 2007.

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

We intend this report solely for the information and use of management, and the Board of Trustees and federal awarding agency. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 10, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Troy Township Wastewater District
Ashland County
P.O. Box 55
Nova, Ohio 44859

To the Board of Trustees:

Compliance

We have audited the compliance of Troy Township Wastewater District, Ashland County, Ohio, (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 apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying Schedule of Findings 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 its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, the Troy Township Wastewater District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006.

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 requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Board of Trustees, and federal awarding agency. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 10, 2007

**TROY TOWNSHIP WASTEWATER DISTRICT
ASHLAND COUNTY**

**FEDERAL AWARD EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2006**

FEDERAL GRANTOR/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Direct:</i>			
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	<u>\$848,489</u>
Total			<u><u>\$848,489</u></u>

The accompanying notes are an integral part of this schedule.

**TROY TOWNSHIP WASTEWATER DISTRICT
ASHLAND COUNTY**

**NOTES TO THE FEDERAL AWARD EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Award Expenditures Schedule (the Schedule) summarizes activity of the Wastewater District's federal award program. The Schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

This Federal program requires that the Wastewater District contribute non-Federal funds (matching funds) to support the Federally-funded program. The Wastewater District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**TROY TOWNSHIP WASTEWATER DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2006-001

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.41(D) provides no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision stating the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. 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 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 both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), 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 Board of Trustees can authorize the drawing of a warrant for the payment of the amount due. The Board of Trustees has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided 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.

82% of expenditures tested were not certified by the Fiscal Officer prior to the purchase commitment being made. It was also found none of the exceptions above were utilized for the items found to be in non-compliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

FINDING NUMBER 2006-001 (Continued)

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 purchase commitments receive prior approval. To improve control over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the Fiscal Officer should certify 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 District should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response: Management has implemented the use of purchase orders in 2007. Beginning in 2008, blanket purchase orders will be used for reoccurring bills such as telephone and electric.

FINDING NUMBER 2006-002

Material Weakness/Significant Deficiency

Financial Statements

Our testing revealed several weaknesses related to recording of the District's financial activity. These weaknesses could lead to inefficient operation of the District's finance functions and financial statement errors. In addition, these weaknesses may compromise management's ability to effectively monitor the finances and make appropriate decisions for the District.

Specific weaknesses included, but were not limited to, the following:

- The annual report filed with the Auditor of State did not agree to and was not reconciled to the financial statements generated from the District's financial software.
- Bank transfers of \$87,683 in 2006 were improperly included as receipts and expenditures in the financial statements. An adjustment was made during the audit to correct this error.
- Ohio Public Works Commission Loan proceeds of \$788,000 were not reported on the original financial statements. In addition a loan of \$300,935 (including interest) was refinanced and the pay-off of the original debt was not recorded as an expenditure. Adjustments were made during the audit to correct these errors.
- Community Development Block Grant revenues of \$598,723 received from Ashland County were not included as receipts or expenditures in the financial statements. An adjustment was made during the audit to correct this error.

The Fiscal Officer should review financial information to ensure the financial statements filed with the Auditor of State are reconciled to the financial software and that all financial activity is properly recorded within the financial statements.

Officials' Response: Management will request a prescribed format for its 2007 financial statements from the Auditor of State. Management will ensure all activity is reflected on the financial statements and the financial statements are completed in accordance with the recommended format.

FINDING NUMBER 2006-003

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated as provided in Chp. 5705.

At December 31, 2006 total fund expenditures exceed appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Operating Fund	\$1,336,303	\$2,177,486	(\$841,183)

In addition, our testing noted 3 and 2 object level accounts at December 31, 2006 and 2005, respectively, which had expenditures exceeding appropriations.

Failure to pass fund appropriations in a timely manner could increase the likelihood of funds being obligated for a commitment when those funds are not available to pay the obligation, thereby resulting in deficit fund balances. The Board of Trustees and Fiscal Officer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the fund level and object level to avoid overspending.

Officials' Response: Management will monitor the budget on a monthly basis and will amend the budget when necessary to ensure expenditures do not exceed appropriations.

FINDING NUMBER 2006-004

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.28(B)(2)(c) states the total appropriations from each fund of a taxing unit that does not levy a tax shall not exceed the total estimated revenue available for expenditures from the fund, and appropriations shall be made from each fund only for the purposes for which the fund is established.

At December 31, 2006, appropriations exceed estimated resources as follows:

	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
Operating Fund	\$1,336,303	\$471,411	(\$864,892)

The Fiscal Officer and Board of Trustees should monitor appropriations versus estimated resources to help avoid overspending. In addition, the Board of Trustees should amend its revenue budget when additional funds are available that are intended to be appropriated.

Officials' Response: Management will monitor the budget on a monthly basis to ensure appropriations do not exceed estimated resources.

FINDING NUMBER 2006-005

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.42 states, in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying costs of any program, activity or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

During 2006 and 2005, the Fiscal Officer did not record Ohio Public Works Commission payments in the amount of \$346,389 and \$17,804, respectively, made directly to contractors on behalf of the District for construction of a wastewater treatment facility. In addition, during 2006 the Fiscal Office did not record \$598,723 of Community Development Block Grant revenues received from Ashland County for various District expenditures. The financial statements have been adjusted to reflect these amounts.

The Clerk should record all grants or loans of money paid directly to contractors on behalf of the District as a receipt and expenditure. This will help ensure receipts and expenditures are not misstated. The District should follow Auditor of State Bulletin 2002-004 for guidance.

Officials' Response: Management will ensure future on-behalf grants are reported as a receipt and expenditure on the District's books.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**TROY TOWNSHIP WASTEWATER DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 5705.41(D) – none of the expenditures tested were properly certified prior to incurring the obligation.	No	Repeated as Finding Number 2006-001.
2004-002	Ohio Rev. Code Section 5705.41(B) – Expenditures exceed appropriations in various object level accounts at December 31, 2004 and 2003.	No	Repeated as Finding Number 2006-003



Mary Taylor, CPA
Auditor of State

TROY TOWNSHIP WASTEWATER DISTRICT

ASHLAND 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, 2007**