



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 statement 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 statement 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

July 21, 2011

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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 the Richmond Dale Sewer District, Ross County, Ohio (the District) as of and for the years ended December 31, 2010 and 2009. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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 statement 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 statement. 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 years ended December 31, 2010 and 2009 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the fund cash balance of the Richmond Dale Sewer District, Ross County, Ohio as of December 31, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 basic financial statements. 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 statements 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

July 21, 2011

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2,010	2,009
Operating Cash Receipts:		
Special Assessments	\$ 10,781	\$ 10,274
Total Operating Cash Receipts	10,781	10,274
Operating Cash Disbursements:		
Attorney Fees	3,075	740
Office Supplies and Materials	1,034	39
Insurance-Blanket Bond	-	213
Legal Ads	8,394	1,014
Total Operating Cash Disbursements	12,503	2,006
Operating Income (Loss)	(1,722)	8,268
Non-Operating Cash Receipts:		
Intergovernmental Revenues	1,421,382	-
Loan Proceeds	212,674	64,543
Total Non-Operating Cash Receipts	1,634,056	64,543
Non-Operating Cash Disbursements:		
Engineering Fees	1,059,667	68,109
Debt Service	132,946	7,500
Total Non-Operating Cash Disbursements	1,192,613	75,609
Net Receipts Over/(Under) Disbursements	439,721	(2,798)
Cash Balance, January 1	1,921	4,719
Cash Balance, December 31	\$ 441,642	\$ 1,921

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

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**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2010 AND 2009**

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, 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 these financial statements present all activities for which the District is financially accountable.

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.

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. 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The District did not use the encumbrance method of accounting, contrary to Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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 POOLED DEPOSITS

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

	2010	2009
Demand Deposits	\$441,642	\$1,921
Total deposits	\$441,642	\$1,921

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

3. BUDGETARY ACTIVITY

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. Furthermore, the District did not use the encumbrance method of accounting. Accordingly, all expenditures violated budgetary requirements.

4. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
OWDA Loan #5690	\$189,230	1.37%
Total	\$189,230	

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 12/31/10 is \$189,230.

The District obtained OWDA loan #4885, which was outstanding until October 20, 2010. Proceeds from OWDA loan #5690 were used to close OWDA loan #4885. Proceeds from various federal grants will be used to repay OWDA loan #5690.

4. 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.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2010 AND 2009
(Continued)**

5. RISK MANAGEMENT

Commercial Insurance

The District is uninsured for the following risks:

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

6. 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, management believes any refunds would be immaterial.

7. SUBSEQUENT EVENTS

On July 9, 2011, the District began collections for provided services; rates are dependent upon usage.

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**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Federal Grantor / Pass through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<i>Funding received directly from the U.S. Department of Agriculture</i>		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 211,161
<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>311,373</u>
Total Federal Expenditures		<u><u>\$ 522,534</u></u>

The accompanying notes are an integral part of this schedule.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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 the Richmond Dale Sewer District, Ross County, Ohio (the District) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 21, 2011, 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 statement, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and timely corrected. We consider finding 2010-004 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated July 21, 2011.

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

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



Dave Yost
Auditor of State

July 21, 2011



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 the Richmond Dale Sewer District, Ross 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 could directly and materially affect Richmond Dale Sewer District's major federal program for the year ended December 31, 2010. 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 the 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 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*. Those 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 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 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, 2010.

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, to determine our auditing procedures for the purpose of opining 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.

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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.

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 over compliance that might be deficiencies, 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 noted matters involving internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated July 21, 2011.

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



Dave Yost
Auditor of State

July 21, 2011

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010 AND 2009**

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?	No
<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	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 12.xxx Section 594 of the Water Resources Development Act of 1999.
<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 2010-001

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.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010 AND 2009
(Continued)**

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

FINDING 2010-001 (Continued)

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

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.

The District did not file its annual cash-basis financial report with the Auditor of State for fiscal years ending December 31, 2010 and 2009; furthermore, the District failed to provide notice in a local newspaper that the financial report was available for public inspection.

We recommend the District file its annual financial report with the Auditor of State within 60 days of fiscal year end and ensure the filing is accurate and complete. We also recommend a notice regarding the availability of the annual report for public inspection be publicized in a local newspaper.

Officials' Response:

FINDING 2010-002

Prior Certification of Funds (Encumbrance Accounting) – Material Noncompliance

Ohio Revised Code § 5705.41(D) states that no subdivision 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. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Further, contracts and orders 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. 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.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010 and 2009
(Continued)**

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

FINDING 2010-002 (Continued)

Prior Certification of Funds (Encumbrance Accounting) – Material Noncompliance (Continued)

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.

The District did not certify funds prior to incurring the obligation for any disbursements during 2010 and 2009.

To improve controls over disbursements, we recommend that all District non-payroll disbursements receive prior certification of the fiscal officer. When that is not possible, a Then and Now Certificate should be executed.

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:

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010 and 2009
(Continued)**

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

FINDING 2010-003

Adoption of a Budget – Material Non-Compliance

Ohio Revised Code Section 5705.28 (B)(2)(a) states that a taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget. Instead, on or before the fifteenth day of July each year, the taxing authority shall adopt an operating budget for the following fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all expenses that are anticipated to occur and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the County Auditor or the County Budget Commission.

Ohio Revised Code Section 5705.28 (B)(2)(c) states that 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.

The District did not adopt a budget, including estimated receipts and appropriations for fiscal years 2010 and 2009. By not adopting a budget the District is at risk of spending more monies than received, creating a deficit fund balance and placing the District at risk of not being able to meet its contracted obligations.

We recommend the District establish an annual operating budget prior to July 15th, detailing the estimated revenues to be received and estimated expenditures to be made. The Board of Trustees should adopt the budget through a formal resolution and monitor the budget throughout the fiscal year in comparison to the District's actual activity, and amend the operating budget throughout the year as necessary.

Officials' Response:

FINDING 2010-004

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, 2010 financial statements and accounting records:

1. An entry to increase Loan Proceeds by \$212,674 for revenues not recorded by the District.
2. Entry to increase Debt Service expenditures by \$125,446 for monies paid on behalf of the District.
3. Entry to increase Intergovernmental Revenue by \$1,011,412 for revenues not recorded by the District.
4. An entry to increase Engineering Fees by \$649,697 for monies paid on the District's behalf.

**RICHMOND DALE SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010 and 2009
(Continued)**

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

FINDING 2010-004 (Continued)

Financial Statement Adjustments – Material Weakness (Continued)

The following audit adjustments and reclassifications were made to the District's December 31, 2009 financial statements and accounting records:

1. An entry to reclassify \$3,974 received from the Ross County Auditor from Intergovernmental Revenue to Special Assessments revenue.
2. Entry to reclassify \$60,793 from Intergovernmental Revenues to Loan Proceeds for monies paid on behalf of the District.
3. Entries to increase Debt Service expenditures, Loan Proceeds and Engineering Fees expenditures by \$3,750.

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 management 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.

Officials' Response:

3. FINDINGS FOR FEDERAL AWARDS

None

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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
AUGUST 16, 2011**