



Mary Taylor, CPA  
Auditor of State



WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT  
HAMILTON COUNTY

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Mary Taylor, CPA  
Auditor of State

Whitewater Township Regional Sewer District  
Hamilton County  
P.O. Box 532  
Miamitown, Ohio 45041

To the Board of Trustees:

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 31, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Whitewater Township Regional Sewer District  
Hamilton County  
P.O. Box 532  
Miamitown, Ohio 45041

To the Board of Trustees:

We have audited the accompanying financial statements of the Whitewater Township Regional Sewer District, Hamilton County, Ohio (the District), as of and for the years ended December 31, 2007 and 2006. 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.

The District did not prepare and maintain sufficient evidence supporting the financial activity of their Tap-in Fees recorded as operating cash receipts. Without a full accountability over the revenue received, we could not assure ourselves regarding the completeness of the account balance of the Tap-in Fee receipts or satisfy ourselves regarding the completeness of the account balance of receipts through other audit procedures. The Tap-in Fee receipts represent 14% and 48% of the operating receipts for 2007 and 2006 respectively.

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.

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 Authorities 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, except for adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amount recorded in the Tap-in Fees as operating receipts, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Whitewater Township Regional Sewer District, Hamilton County, Ohio, as of December 31, 2007 and 2006, 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 October 31, 2008, 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

October 31, 2008



**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT  
HAMILTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>Operating Cash Receipts:</b>		
Tap-In Fees	9,940	12,450
Sewer Usage Fees	5,568	4,186
Special Assessment Fees	38,345	-
Miscellaneous Receipts	19,200	9,323
	<u>73,053</u>	<u>25,959</u>
<b>Operating Cash Disbursements:</b>		
Personal Services	6,753	6,600
Utilities	258	108
Testing and Licenses	6,984	1,129
Other Contractual Services	124,377	66,836
Office Supplies and Materials	14	0
Insurance	1,375	2,750
Capital Outlay	24,500	222,317
	<u>164,261</u>	<u>299,740</u>
Operating (Loss)	<u>(91,208)</u>	<u>(273,781)</u>
<b>Non-Operating Cash Receipts:</b>		
Intergovernmental Revenues	58,784	0
Metropolitan Sewer District- Hooven Assessment Assistance	959,100	0
OWDA Loan Proceeds	37,210	340,893
Interest	35,614	25,007
	<u>1,090,708</u>	<u>365,900</u>
<b>Non-Operating Cash Disbursements:</b>		
Principal Payment	228,989	66,788
Interest Expense	88,524	62,857
Other Non-Operating Cash Disbursements	49	28,632
Capitalized Interest Payment	0	24,537
	<u>317,562</u>	<u>182,814</u>
Net Receipts Over/(Under) Disbursements	<u>681,938</u>	<u>(90,695)</u>
Cash Balances, January 1	<u>508,070</u>	<u>598,765</u>
<b>Cash Balances, December 31</b>	<b><u><u>\$1,190,008</u></u></b>	<b><u><u>\$508,070</u></u></b>

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

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**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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 Whitewater Township Regional Sewer District, Hamilton County, Ohio, (the District) as a body corporate and politic. The District is directed by a five-member Board of Trustees. The Board is appointed by the Whitewater Township Board of Trustees, and only those members who are residents of an area within the District's territory are eligible to serve as Board members. The District provides sewer services to residents of the District.

The District participates in the Public Entities Pool of Ohio public entity risk pool. Note 5 to the financial statements provides additional information for this entity. This organization is:

**Public Entity Risk Pool:**

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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

**B. Accounting Basis**

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

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

**C. Cash and Investments**

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investments in STAR Ohio are recorded at share values that STAR Ohio reports.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Process**

The Ohio Revised Code requires the Board to budget annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or 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. Unencumbered appropriations lapse at year end. The District did not approve an appropriation measure for 2006.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The District did not prepare a certificate of estimated resources for 2006.

**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 2007 and 2006 budgetary activity appears in Note 3.

**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 Cash and Investments**

The carrying amount of cash and investments at December 31 was as follows:

	2007	2006
Demand deposits	\$18,514	\$59,814
STAR Ohio	1,171,494	448,256
Total deposits and investments	\$1,190,008	\$508,070

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation. However, at December 31, 2007, \$1,104,953 and at December 31, 2006 \$408,491 of deposits were not insured or collateralized, contrary to Ohio law.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$1,305,630	\$1,163,761	(\$141,869)

2007 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$451,850	\$481,823	(\$29,973)

2006 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$391,859	\$391,859

2006 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	\$482,554	(\$482,554)

Contrary to Ohio law, the District did not adopt an operating budget for 2006. The District did not prepare a certificate of estimated resources for 2006. The District did not adopt an annual appropriation measure for 2006. Also contrary to Ohio law, the District did not certify the availability of funds for expenditure for 2007 and 2006.

The District also appropriated funds in excess of budgeted receipts in 2006, which is contrary to Ohio Revised Code.

**4. Debt**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
OWDA Construction Loan #3502	\$1,136,055	5.15%
OWDA Construction Loan #4275	2,429,253	1%
OPWC Loan Project #CB22G	350,000	0
Total	\$3,915,308	

The OWDA (Ohio Water Development Authority) Construction Loan #3502 was issued June 28, 2001 for the purpose of constructing a sewer line. OWDA has approved up to \$1,358,971 in loans to the District for this project. This project was completed in 2005. The loan will be repaid semiannually over a period of 20 years at an interest rate of 5.15%.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. Debt (Continued)**

The OWDA Construction Loan #4275 was issued on March 31, 2005 for the purpose of constructing a sewer line. OWDA had approved in to \$2,863,157 in loans to the District for this project. \$2,429,253 has been received as of December 31, 2007. The loan will be repaid over a period of 20 years at an interest rate of 1%. The first payment was due on July 1, 2007. In April 2005 the District's OWDA Planning Loan #3298 had an outstanding balance of \$159,313; this outstanding balance was transferred over to this construction loan since planning was complete. This project is still in progress as of December 31, 2007.

The OPWC (Ohio Public Works Commission) Loan Project #CB22G was issued for the purpose of constructing a sewer line. OPWC approved \$400,000 in loans to the District for this project. The District used these proceeds in 2005 to pay the contractor. The loan will be repaid over a period of 20 years at an interest rate of 0%. The first payment was due on January 1, 2006 however the District made a payment in November 2005.

The District's financial statements present non-operating cash disbursements of capitalized interest which represents OWDA loan interest payments which the District has deferred payment on and has been included in the final loan principal balance to be repaid at a later date.

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

Year ending December 31:	OWDA Construction Loan #3502	OPWC Loan
2008	\$109,644	\$20,000
2009	109,645	20,000
2010	109,645	20,000
2011	109,645	20,000
2012	109,645	20,000
2013-2017	548,223	100,000
2018-2022	548,223	100,000
2023-2027	0	50,000
Total	\$1,644,670	\$350,000

The OWDA Construction Loan #4275 is not included in the amortization schedule shown above since a repayment schedule has not been established as of December 31, 2007. Payments began in July, 2007 for 20 years.

**5. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For November and December 2007, OPERS members contributed 9.5% of their gross salaries and the District contributed an amount equaling 13.85% of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. Risk Management**

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. Risk Management (Continued)**

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$1,581. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b>Contributions to PEP</b>	
2005	1,375
2006	1,375
2007	1,375

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.





# 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*

Whitewater Township Regional Sewer District  
Hamilton County  
P.O. Box 532  
Miami town, Ohio 45041

To the Board of Trustees:

We have audited the financial statements of the Whitewater Township Regional Sewer District, Hamilton County, Ohio (the District), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 31, 2008, 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 also qualified our opinion for the lack of evidential matter supporting recorded Tap-in Fee receipts. 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 may 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: 2007-003 through 2007-004.

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 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 that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-003 and 2007-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated October 31, 2008.

### **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 2007-001 through 2007-005.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated October 31, 2008.

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 District Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 31, 2008

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.36(A)(1)**, provides in part, that on or about the first day of each fiscal year, the fiscal officer of subdivisions and other taxing units are to certify the total amount from all sources which is available for expenditures from each fund in the operating budget along with any unencumbered balances that existed at the end of the preceding year.

**Ohio Rev. Code, Section 5705.38(A)**, provides in part, that on or about the first day of each fiscal year, an appropriation measure is to be passed.

**In addition, 1999 Op. Att’y Gen. No. 99-020** clarified that the budget process described in Chapter 5705, of the Ohio Revised Code, applies to a Regional Sewer District, regardless of whether the District levies taxes. These documents are required to be prepared in accordance with the Ohio Revised Code, but are not required to be filed with the county auditor or county budget commission. The District must henceforth adopt an annual budget and annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations. The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made.

**Furthermore, Ohio Rev. Code, Section 5705.28(B)(2)(c)**, provides in part, that total appropriations from each fund shall not exceed the total estimated resources.

The District did not adopt an operating budget or an annual appropriation measure for 2006. Additionally, the District did not prepare a certificate of estimated resources for 2006, nor did the District certify the availability of funds for expenditure for 2007 and 2006.

The District did not develop and implement procedures to ensure the adoption of an annual budget and subsequent certification of estimated resources and availability of funds for expenditure. The failure to adopt a budget, certifying funds available, adopt appropriations, and maintain financial records reduces the Trustee’s ability to monitor how they are operating financially. We recommend that annually the District adopt a budget, certify available funds, and adopt appropriations. The District should record and monitor these budget items and compare to the actual financial results to assist the Trustees in making sound financial decisions related to the District.

**Officials’ Response:**

The WTRSD Board of Trustees has reviewed your findings and understands this requirement. The Board intends to implement your recommendations in a timely manner.

## FINDING NUMBER 2007-002

### 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 treasurer is attached thereto. The treasurer 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 orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a treasurer'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 treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the treasurer 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 (\$1,000 prior to April 7, 2003) may be paid by the treasurer 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 – Treasurers 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 treasurer 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 develop and implement procedures for the use of purchase orders. Therefore, the District did not properly certify the availability of funds for purchase commitments for 100% of expenditures tested and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the District uses the exceptions noted above, prior certification is not only required by statute but also 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 Treasurer certify that 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.

**FINDING NUMBER 2007-002  
(Continued)**

We recommend the District officials and employees obtain the Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**Officials' Response:**

The WTRSD Board of Trustees has reviewed your findings and understands this requirement. The Board intends to implement your recommendations in a timely manner. A purchase order process and a "Super Blanket Certificate" for recurring billings will be established.

**FINDING NUMBER 2007-003**

**Noncompliance Citation/Material Weakness**

**Ohio Administration Code, Section 117-2-02(A)**, states that 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, document compliance with finance-related legal and contractual requirements and prepare financial statements required by 117-2-03 of the Administrative Code.

Loan programs through the Ohio Public Works Commission (OPWC) and the Ohio Water Development Authority (OWDA) organizations provide that OPWC and OWDA pay contractor invoices with appropriate cumulative account of funds loaned to the District.

The District's year-end financial reports and accounting records did not properly account for all transactions related to on-going capital projects and debt service through OPWC and OWDA. While the District did not actually pay the contractor invoices or receive the loan proceeds, the District should account for these transactions as if the activity had actually flowed through their accounts. The financial statements did not properly reflect their total financial activity related to these projects without including this activity. We noted instances during 2007 and 2006 where the District did not correctly record the true value of project costs and loan proceeds. Also, the District did not distinguish interest payments from principal debt service payments.

The District made adjustments to the financial statements to properly state project costs and loan proceeds. Detail of these debt related adjustments is as follows:

- 2006 Capital Outlay increased by \$222,317.
- 2006 OWDA Loan Proceeds increased by \$246,854.
- 2006 Interest increased and 2006 principal payments decreased by \$62,857.
- 2006 Capitalized Interest Payments increased by \$24,537.
- 2007 Capital Outlay increased by \$24,500.
- 2007 OWDA Loan Proceeds increased by \$24,500.
- 2007 principal payments decreased by \$29,740.
- 2007 Interest payments increased by \$88,524.

The district does not have a procedure in place to recognize and record on behalf payments of ODWA and OPWC.

**FINDING NUMBER 2007-003  
(Continued)**

We recommend that, prior to closing the financial records of the District at year end, management perform reconciliation procedures to ensure proper recording of all project costs and loan proceeds from OPWC and OWDA funded projects as well as the outstanding loan balances.

**Officials' Response:**

The WTRSD Board of Trustees has reviewed your findings and understands this requirement. The Board intends to implement your recommendations in a timely manner.

**FINDING NUMBER 2007-004**

**Noncompliance Citation/Material Weakness**

**Ohio Administration Code, Section 117-2-01(D)**, states when designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

The District should develop internal control procedures to ensure completeness in the collection and the financial reporting of sewer tap-in fee receipts. The District had few internal controls in operation during the period covered by this report for the collection of tap-in receipts. This creates an environment in which fraud and accounting errors could remain undetected. Internal control deficiencies over the collection of tap-in receipts included the following:

- The District did not have written policies and procedures for the collection of tap-in money and installation of a tap-in.
- There is no indication that the District received the tap-in fees before the installation of the tap-in.
- There are no pre-numbered duplicate receipts for standard sewer tap-in fee receipts.
- 36 out of 39 2006 Tap-in receipts (92.3%), totaling \$11,500, did not have applications or other evidential matter retained.
- 21 out of 40 2007 Tap-in receipts (52.5%), totaling \$6,845, did not have applications or other evidential matter retained.

To improve accountability over tap-in receipts, the Board should adopt policies and procedures for tap-in receipts. The District should initiate a system of internal control over the tap-in fee receipts. We recommend the District maintain a pre-numbered duplicate receipt book to record tap-in fees when paid. The Clerk should stamp, initial, and date the Standard Sewer Tap Application, signed by the applicant, when collecting the tap-in money. A duplicate receipt and Standard Sewer Tap in Application or other evidential matter should be maintained to support each tap-in receipt. The District should reconcile tap-in fees paid to tap-ins installed and applications or other tap-in evidential matter to ensure the completeness of collection. The District should coordinate efforts with MSD and authorized plumbers to ensure that tap-in applications and payments are submitted prior to installation. In addition, the District should ensure that customers delaying installation receive proper credit for prepayment of their tap-in fee.

**FINDING NUMBER 2007-004  
(Continued)**

The District's lack of formal policies and procedures for the collection of tap-in fees resulted in inaccurate and incomplete records and accounting of Tap-in fee receipts.

Failure to accurately prepare and maintain accounting records reduces the accountability over the District's Tap-in Fee receipts and reduces the District's ability to monitor financial activity of these receipts, and increase the risk that fraud, theft, or errors would occur in a timely manner. Without this evidential matter, we were unable to determine the complete and accurate financial activity of Tap-in Fee receipts.

**Officials' Response:**

The WTRSD Board of Trustees has reviewed your findings and understands this requirement. The Board intends to implement your recommendations in a timely manner.

**FINDING NUMBER 2007-005**

**Noncompliance Citation**

**Ohio Rev. Code, Section 9.38**, requires that public money must be deposited with the treasurer of the public office or to a designated depository on the business day of the receipt, if the total amount of such moneys received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt of adopting a policy permitting a different time period. The alternate time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the money until the time of deposit. The District did not deposit monies within the required time frame. Deposits were made in a range of two to 14 days for one out of three (33%) and seven out of 19 (37%) during 2006 and 2007 respectively.

The District did not develop a formal policy or procedures to comply with requirements of timely depositing. Failure to deposit monies in accordance with the Ohio Revised Code could result in misappropriation of District funds as well as result in the loss of interest revenue. We recommend the Treasurer make timely deposits of all District monies within 24 hours, or develop and follow a policy of depositing within 3 days if monies held are less than \$1,000 and adequately safeguarded in a safe or lock box.

**Officials' Response:**

The WTRSD Board of Trustees has reviewed your findings and understands this requirement. The Board intends to implement your recommendations in a timely manner.

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**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2005-001	ORC 5705.36, the District did not adopt an operating budget.  ORC 5705.38, the District did not adopt an appropriation measure.	No  No	Reported as Finding 2007-001  Reported as Finding 2007-001
2005-002	ORC 5705.41, the District did not certify the availability of funds for expenditure.	No	Reported as Finding 2007-002
2005-003	OAC 117-2-02(D), the District did not maintain the required accounting records.	No	Reported in the Management Letter
2005-004	The District did not properly reflect all financial activity related to on-going capital projects and debt service through OPWC and OWDA.	No	Reported as Finding 2007-003
2005-005	The District did not develop internal control procedures over sewer tap-in receipts.	No	Reported as Finding 2007-004
2005-006	ORC 135.18, 6119.151, 135.181(B), 135.12(B), the District had uninsured and uncollateralized deposits.	No	Reported in management letter
2005-007	26 USC 3401, 3402(a)(1), the District did not issue IRS Form W-2 or withhold Federal and Medicare taxes.	No	Reported in management letter
2005-008	ORC 145.03, 145.034, the District did not enroll Board members in PERS.	No	Reported in management letter





**Mary Taylor, CPA**  
Auditor of State

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT**

**HAMILTON 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  
DECEMBER 2, 2008**