

***TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Twinsburg Township Water and Sewer District
8460 Tower Park Drive
Twinsburg, Ohio 44087

We have reviewed the *Report of Independent Accountants* of the Twinsburg Township Water and Sewer District, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Twinsburg Township Water and Sewer District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 6, 2007

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**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
AUDIT REPORT
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005**

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REPORT OF INDEPENDENT ACCOUNTANTS

Twinsburg Township Water and Sewer District
Summit County
8460 Tower Park Dr
Twinsburg, Ohio 44087

The Board of Trustees:

We have audited the accompanying financial statements of the Twinsburg Township Water and Sewer District, Summit County, Ohio (the District) as of and for the years ended December 31, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has presented 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 or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Twinsburg District Water and Sewer District, Summit 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 March 16, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls 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.

Charles E. Harris & Associates, Inc.
March 16, 2007

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY**

**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	\$ 159,370	\$ 168,015
Licenses, Permits and Fees	11,948	3,829
Developers Fees/Deposits	60,000	9,075
District Capital Improvement Fees	21,246	-
Total Operating Cash Receipts	252,564	180,919
Operating Cash Disbursements:		
Personal Services	36,355	33,396
Contractual Services	72,607	32,588
Utilities	1,878	1,288
Repairs and Maintenance	8,231	3,690
Office Supplies and Materials	6,416	5,294
Capital Outlay	7,049	196,012
Miscellaneous	7,535	150
Debt:		
Principal	40,677	42,312
Interest	45,260	56,472
Total Operating Cash Disbursements	226,008	371,202
Operating Income/(Loss)	26,556	(190,283)
Non-Operating Receipts		
Intergovernmental	95,131	56,892
Interest	1,569	1,437
Miscellaneous	7,140	325
Proceeds from OWDA Loan	-	196,012
Total Non-Operating Receipts	103,840	254,666
Net Income	130,396	64,383
Cash Balances, January 1	371,092	306,709
Cash Balances, December 31	\$ 501,488	\$ 371,092

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

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Twinsburg Township Water and Sewer District, Summit County, (the District) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A seven-member Board of Trustees directs the District. The District contracts with the City of Cleveland, Division of Water, to provide water service, billing and collections for residents of Twinsburg Township. The District also provides construction of water lines and major repair and servicing of hydrants within the Township.

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

In December of 2006 the District petitioned the courts to change their name to Twin Keystone Water District. The Judge approved the petition on December 29, 2006, but the District did not announce the name change until the January, 2007 board meeting.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursement basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. These statements include adequate disclosures of material matters, as prescribed or permitted by the Auditor of State.

C. INVESTMENTS AND INACTIVE FUNDS

The provisions of the Ohio Revised Code restrict investment procedures. Purchased investments are valued at purchase cost. Interest earned is recognized and recorded when received. See Note 2 for further description.

D. FUND ACCOUNTING

The District maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities, reported in other funds. The District has one enterprise fund. The restrictions associated with Proprietary Funds – Enterprise Fund type's are as follows:

Enterprise Fund – Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal service. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursement as nonoperating.

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005**

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

E. **BUDGETARY PROCESS**

The Ohio Revised Code requires the District to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not issue purchase orders nor did they encumber any commitments.

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

F. **PROPERTY, PLANT AND EQUIPMENT**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amounts of the District's cash and investments at December 31, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ <u>501,488</u>	\$ <u>371,092</u>

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Officer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

3. BUDGETARY ACTIVITY

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

Budgeted vs. Actual Receipts		
Enterprise Fund	2006	2005
Budgeted Receipts	\$ 224,793	\$ 164,600
Actual Receipts	356,404	435,585
Variance	\$ 131,611	\$ 270,985

Budgeted vs. Actual Budgetary Basis Expenditures		
Enterprise Fund	2006	2005
Appropriation Authority	\$ 230,493	\$ 164,600
Budgetary Expenditures	226,008	371,202
Variance	\$ 4,485	\$ (206,602)

4. RETIREMENT SYSTEM

The District's full-time employee belongs to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006, OPERS members contributed 9 percent and for 2005, 8.5 percent of their gross salaries. The District contributed an amount equal to 13.70 percent for 2006 and 13.55 percent for 2005, per participants' gross salaries. The District has paid all contributions required through December 31, 2006.

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005**

5. RISK MANAGEMENT

The District is exposed to various risks of loss related torts, theft of, damage to, destruction of assets, errors and omissions, injuries to employees and natural disasters. During both fiscal years, the District was not covered by any insurance.

During the audit, the District bonded both the Treasurer and the Assistant Secretary/Bookkeeper in the amount of \$10,000 each.

6. OHIO WATER DEVELOPMENT AUTHORITY (OWDA) - DEBT

The Twinsburg Township Water and Sewer District entered into two loan agreements with OWDA for the Water Design (planning loan) and the Marwell/Twinsburg Road Water Main. The Water Design loan was authorized on May 29, 2003 and in 2004 was rolled into the Marwell/Twinsburg Road Water Main. The Marwell/Twinsburg Road Water Main loan was authorized June 24, 2004. The final total of the two loans is \$1,213,741, with the first repayment due July 1, 2005 and final payment January 1, 2024 at a rate of 3.98 percent.

<u>Debt</u>	<u>Balance Outstanding 1/1/05</u>	<u>OWDA Received in 2005</u>	<u>Principal Payments</u>	<u>Balance Outstanding 12/31/06</u>
Marwell/Twinsburg Road Water Main	<u>\$ 1,017,729</u>	<u>\$ 196,012</u>	<u>\$ (82,989)</u>	<u>\$ 1,130,752</u>

Capitalized interest for the construction loan in the amount of \$ 7,555 was paid with the first debt payment in July of 2005.

The preliminary amortization schedule as of December 31, 2006, which includes interest totaling \$463,739 is as follows:

<u>Years</u>	<u>Principal and Interest</u>
2007	\$ 88,583
2008	88,583
2009	88,583
2010	88,583
2011	88,583
2012 - 2016	442,914
2017 - 2021	442,914
2022 - 2024	<u>265,748</u>
Total	<u>\$ 1,594,491</u>

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005**

7. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41(D)(1) the District did not issue purchase orders nor did the Treasurer certify any order or contract involving the expenditure of money, therefore, they did not encumber. Also, contrary to Ohio Revised Code Section 5705.41(B) the District had expenditures that exceeded appropriations for their 2005 enterprise fund.

8. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Twinsburg Township Water and Sewer District
Summit County
8460 Tower Park Dr
Twinsburg, Ohio 44087

The Board of Trustees:

We have audited the financial statements of the Twinsburg Township Water and Sewer District, Summit County, Ohio (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated March 16, 2007, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribed 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion 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 described below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting. The significant deficiencies are described as items 06/05-TTW&S-001 and 06/05-TTW&S-003.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 06/05-TTW&S-001 and 06/05-TTW&S-002.

We also noted other matters that we have reported to management of the District in a separate letter dated March 16, 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.

This report is intended solely for the information and use of the management, the Board, and the audit committee, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.
March 16, 2007

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2006 & 2005**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 06/05-TTW&S-001

Noncompliance Citation and Material Weakness

Clerk's Certificate and Expenditures

Ohio Revised Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Treasurer attached. The Treasurer must certify that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the basic requirement stated above, one of which is provided for in section 5705.41(D)(1) of the 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 he is completing his 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 such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the District.

Amounts less than \$3,000 may be paid by the Treasurer without such affirmation of the taxing authority 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 taxing authority.

2. "Blanket" Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution 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 predicable 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 items appropriation.

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2006 & 2005**

SCHEDULE OF FINDINGS – (Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 06/05-TTW&S-001 – (continued)

One hundred percent of expenditures tested for the District were not certified. Purchase orders with the Treasurer's certificate were not used. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless one of the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5704.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. When the District uses a "then and now" certification, a "blanket certificate" or a "super blanket certificate", the purchase order should be so noted.

Management is reviewing the options and will comply with this section of the Ohio Revised Code.

FINDING NUMBER 06/05-TTW&S-002

Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds. And **Ohio Revised Code Section 5705.40** states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them.

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2006 & 2005**

SCHEDULE OF FINDINGS – (Continued)

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

FINDING NUMBER 06/05-TTW&S-002 (Continued)

The Twinsburg Township Water and Sewer District's Enterprise Fund expenditures exceeded appropriations for 2005:

<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
\$ 164,600	\$ 371,202	\$ (206,602)

Since the Enterprise Fund was over appropriated at the fund level for 2005, the legal levels of control violations were not disclosed. The District had sufficient revenue to increase appropriations, but they did not amend appropriations sufficiently to cover all expenditures.

Management agrees and will monitor expenditures compared to appropriations. During 2006, the District started posting appropriations to their QuickBooks financial records.

FINDING NUMBER 06/05-TTW&S-003

Material Weakness

Ohio Administrative Code Section 117-2-02 (A)&(D) Accounting and reporting records.

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

- (B) All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of the operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:
 - (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transactions.

 - (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2006 & 2005**

SCHEDULE OF FINDINGS – (Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 06/05-TTW&S-003 (continued)

- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expense into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.
- (4) In addition, all local public offices should maintain or provide a report similar to the following accounting records for payroll:
 - a) W-2's, W-4's and other withholding records and authorizations
 - b) Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.

The District has computerized financial records, using a personal computer and QuickBooks software. We noted they do not utilize the following:

- (1) Purchase orders are not issued for expenditures, and therefore there are no Treasurer "certificates" attached to expenditures.
- (2) With no purchase order used, the District does not encumber. Therefore, they do not know at any one time how much money is still available to expend.
- (3) The District has only one employee, the bookkeeper (Assistant Secretary), and the Board members are paid a monthly fee of \$40 for attending meetings with one Board Member paid the same \$40 for acting as Treasurer. The District prepared W-2's for the Bookkeepers and 1099's for the Board Members. The Bookkeeper maintained her payroll information by hand on a pad of paper listing her deduction for each pay period.

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2006 & 2005**

SCHEDULE OF FINDINGS – (Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 06/05-TTW&S-003 (continued)

Recommendation

- (A) Purchase orders must be issued with the Treasurer signing the “certificate” at the time the commitment. The purchase order should be completely filled out noting line item account number, vendor providing service or product, item or service being provided, and the amount. The exception is a blanket purchase order where the vendor is not known. Super blanket purchase orders can be issued for items like utilities for the entire year. These purchase orders should then be encumbered against its line item. (See Ohio Revised Code Section 5705.41(D) for description of blanket purchase orders.)

A copy of the purchase order should be attached to the invoice along with a copy of the check paying the invoice. These payments should then be filed in numerical order by check number.

- (B) The QuickBooks program includes a payroll register. The District should utilize this program to provide backup for payroll transactions.

The above procedures will provide easy access to source documents for all financial transactions.

The encumbering of purchase orders against their respective line items will prevent the over-expending of a line item, since the “certificate” of the Treasurer states that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The appropriations less payments and outstanding encumbrances will provide the Treasurer with the amounts still available to be expended. This procedure will provide the Board of Trustees with valuable financial information.

Management agrees and will improve controls over the preceding areas.

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2006 & 2005**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
03/04-TTW&S-001	Noncompliance with Sections 5705.28(B)(2), 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44, & 5705.45 Ohio Revised Code	Partially Corrected	All budgets and revisions are approved but District appropriations were exceeded. See Finding Number 06/05-TTW&S-002
03/04-TTW&S-002	Noncompliance with Section 5705.41 (D)(1), Ohio Revised Code	No	Not corrected; see Finding Number 06/05-TTW&S-001
03/04-TTW&S-003	Material Weakness with Section 117-2-02 Ohio Administrative Code – Accounting and reporting records	No	Not corrected; see Finding Number 06/05-TTW&S-003
03/04-TTW&S-004	Material Weakness no procedures manual	Yes	Finding No Longer Valid - the Board of Trustees adopted a procedures manual.



Mary Taylor, CPA
Auditor of State

TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT

SUMMIT 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
JULY 19, 2007**