



**TWIN CITY WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**TWIN CITY WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

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OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Twin City Water and Sewer District
Tuscarawas County
1580 Boyd Street
Uhrichsville, Ohio 44683

To the Board of Trustees:

We have audited the accompanying financial statements of the Twin City Water and Sewer District, Tuscarawas County, Ohio, (the District) as of and for the year ended December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to 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 discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District as of December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for the purpose of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

April 9, 2002

**TWIN CITY WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2001**

| | Enterprise |
|--|--------------------|
| | 2001 |
| Operating Cash Receipts: | |
| Charges for Services | \$1,910,878 |
| Guaranteed Deposits | 28,300 |
| | 1,939,178 |
| Operating Cash Disbursements: | |
| Salaries and Wages | 730,154 |
| Benefits | 320,238 |
| Utilities | 183,856 |
| Berm Repairs | 21,513 |
| Repair Pipe & Equipment | 94,145 |
| Supplies and Materials | 138,359 |
| Purchased Services | 2,976,897 |
| Guarantee Deposit Refunds | 25,145 |
| Capital Outlay | 160,738 |
| Other | 989 |
| | 4,652,034 |
| Operating (Loss) | (2,712,856) |
| Non-Operating Cash Receipts: | |
| Interest | 93,502 |
| Intergovernmental | 994,763 |
| Other | 28,929 |
| Proceeds from Bonds | 2,828,000 |
| | 3,945,194 |
| Non-Operating Cash Disbursements: | |
| Debt Retirement | 3,357,620 |
| | 3,357,620 |
| Excess of Receipts (Under) Disbursements | (2,125,282) |
| Fund Cash Balance, January 1 | 4,174,083 |
| Fund Cash Balance, December 31 | \$2,048,801 |
| Reserves for Encumbrances, December 31 | \$27,122 |

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

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**TWIN CITY WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Twin City Water and Sewer District, Tuscarawas County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board of Trustees. Two Board members each are appointed by the City of Uhrichsville and the Village of Dennison. The remaining Board member is appointed at-large by the Board of Trustees. The District provides water and sewer services to residents of the District.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements 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 disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The District maintains cash in a checking account, savings account, and certificates of deposit which are valued at cost. The District's investments were limited to STAR Ohio. These investments are included in the fund cash balance. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its funds in the Proprietary or Enterprise Fund type. These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District has the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing water service.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing sewer service.

Sewer Capital Improvement Fund - This fund receives charges for services that are allocated by the Board of Trustees for the improvement of sewer capital improvements.

Sewer Construction Debt Service Fund - This fund receives charges for services that are allocated by the Board of Trustees for the retirement of debt associated with sewer construction projects.

**TWIN CITY WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Wastewater Construction Grant Fund - This fund receives grant monies from the Department of Agriculture for improvements made to the Wastewater Treatment facility.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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 use the encumbrance method of accounting or certify the availability of funds for all commitments required by Ohio law. The budgetary presentation and the reserves for encumbrances have been adjusted to include material items that should have been encumbered.

A summary of 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave are not reflected as a liability under the cash basis of accounting used by the District.

**TWIN CITY WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2. CASH AND INVESTMENTS

The District invests in Certificates of deposit and STAR Ohio.

The District maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2001 was as follows:

| | |
|--------------------------------|--------------------|
| Demand deposits | \$1,920,624 |
| Certificates of deposit | <u>54,237</u> |
| Total deposits | 1,974,861 |
| STAR Ohio | <u>73,940</u> |
| Total deposits and investments | <u>\$2,048,801</u> |

A. Deposits: At December 31, 2001, the District's deposits were insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions's public entity deposit pool.

B. Investments: STAR Ohio (an investment pool operated by the Ohio State Treasurer) is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2001 follows:

| 2001 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| Enterprise | \$2,614,391 | \$5,884,372 | \$3,269,981 |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------|---------------------------|---------------|
| Fund Type | Appropriations | Budgetary Expenditures | Variance |
| Enterprise | \$5,876,752 | \$8,036,776 | (\$2,160,024) |

During 2001, all District expenditures were not certified by the fiscal officer in accordance with Ohio Rev. Code Section 5705.41(D).

**TWIN CITY WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

4. RETIREMENT SYSTEM

The District's full-time permanent employees belong to the Public Employees Retirement System of Ohio (PERS). PERS is a cost-sharing, multiple-employer retirement plan. This plan provides retirement benefits, including post retirement 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 2001, members of PERS contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 2001.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

| | Principal | Interest Rate |
|---|-------------|---------------|
| USDA FmHA Loans: | | |
| Uhrichsville Dennison No. 91-10 | \$1,750,000 | 5.00% |
| Uhrichsville Dennison No. 91-14 | 109,000 | 5.00% |
| Roanoke No. 91-09 | 539,000 | 5.00% |
| Roanoke No. 97-01 | 260,000 | 6.13% |
| Midvale No. 92-03 | 536,000 | 6.13% |
| Midvale No. 92-05 | 312,000 | 6.00% |
| Midvale No. 92-07 | 264,000 | 6.25% |
| Midvale No. 92-08 | 59,000 | 6.00% |
| Total | 3,829,000 | |
| Ohio Water Development Authority Loans: | | |
| Loan No. PW-90 | 148,313 | 7.77% |
| Loan No. FW-86 | 22,243 | 6.61% |
| Total | 170,556 | |
| Ohio Public Works Commission Loans: | | |
| Loan CN033 | 251,054 | 0% |
| Loan CN325 | 117,700 | 0% |
| Loan CN731 | 18,589 | 0% |
| Total | 387,343 | |
| USDA Sewer System Revenue Bonds | 2,828,000 | 4.50% |
| Total Debt | \$7,214,899 | |

**TWIN CITY WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

5. DEBT (Continued)

Debt relating to the United States Department of Agriculture Farmers Home Administration (USDA FmHA) Loans, Ohio Water Development Authority (OWDA) Loans and Ohio Public Works Commission (OPWC) Loans was incurred for utility construction projects. Property owned by the District and revenue earned by the District have been pledged to repay these debts.

Of the Farmers Home Administration Loans, the Midvale Sewer Improvement Project Loans Nos. 92-07 and 92-08, are being reimbursed to the District by Tuscarawas County, as set forth in an agreement with the County.

The District has also entered into contractual agreements for construction loans with the OPWC. Under the terms of these agreements, the OPWC will reimburse, advance or directly pay the construction costs of approved projects.

In September 2001, the District issued USDA Sewer System Revenue Bonds in the amount of \$2.828 million to finance improvements at the waste water treatment plant which were mandated by the Ohio EPA.

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

| Year ending <u>December</u> | USDA. <u>Sewer System Revenue Bonds</u> | USDA <u>FmHA Loans</u> | OWDA <u>Loans</u> | OPWC <u>Loans</u> |
|--------------------------------|--|-------------------------------|----------------------|----------------------|
| 2002 | \$142,452 | \$295,415 | \$35,372 | \$13,187 |
| 2003 | 154,090 | 295,759 | 35,372 | 26,374 |
| 2004 | 153,830 | 294,831 | 23,515 | 26,374 |
| 2005 | 153,525 | 294,693 | 23,515 | 26,374 |
| 2006 | 154,175 | 295,292 | 23,515 | 26,374 |
| Subsequent | <u>5,378,365</u> | <u>5,474,023</u> | <u>94,061</u> | <u>268,660</u> |
| Total | <u>\$6,136,437</u> | <u>\$6,950,013</u> | <u>\$235,350</u> | <u>\$387,343</u> |

6. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- General liability
- Public officials' liability
- Employers' liability
- Employee benefits liability

**TWIN CITY WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

6. RISK MANAGEMENT (Continued)

Self Insurance

The District is self insured for employee health insurance. The District has not established a separate fund to account for their self insurance activity. The employee health insurance costs are recovered from charges to certain funds based on a cost per employee determined by Medical Benefits Administrators, Inc., their third party self-insurance administrator. The estimated claims liability at December 31, 2001, including incurred but not reported claims, was \$28,000. At December 31, 2001, the District has set aside \$36,354 as a reserve with the third party administrator to offset these claims. This amount is not included in the District's fund cash balances.

7. CONTINGENT LIABILITY

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

TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001

| <u>Federal Grantor / Pass Through Grantor/ Program Title</u> | <u>Pass Through Entity Number</u> | <u>Federal CFDA Number</u> | <u>Receipts</u> | <u>Expenditures</u> |
|--|---|------------------------------------|---------------------------|---------------------------|
| U.S. Department of Agriculture | | | | |
| <i>Direct</i> | | | | |
| Water and Waste Disposal Systems for Rural Communities | N/A | 10.760 | <u>\$3,770,476</u> | <u>\$3,131,410</u> |
| Total | | | <u>\$3,770,476</u> | <u>\$3,131,410</u> |

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards

**TWIN CITY WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Receipts and Expenditures of Federal Awards (Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Twin City Water and Sewer District
Tuscarawas County
1580 Boyd Street
Uhrichsville, Ohio 44683

To the Board of Trustees:

We have audited the accompanying financial statements of the Twin City Water and Sewer District, Tuscarawas County, Ohio, (the District) as of and for the year ended December 31, 2001, and have issued our report thereon dated April 9, 2002. 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.

Compliance

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 and grants, noncompliance with which could have a direct and material effect on 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-21279-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 9, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Trustees
Twin City Water and Sewer District
Tuscarawas County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 9, 2002.

This report is intended for the information and use of the audit committee, management and the Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

April 9, 2002



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

Board of Trustees
Twin City Water & Sewer District
Tuscarawas County
1580 Boyd Street
Uhrichsville, Ohio 44683

To the Board of Trustees:

Compliance

We have audited the compliance of Twin City Water & Sewer District, Tuscarawas County, (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 are applicable to its major federal program for the year ended December 31, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Internal Control Over Compliance

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized, cursive script.

Jim Petro
Auditor of State

April 9, 2002

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | Water & Waste Disposal Systems for Rural Communities CFDA #10.760 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

MATERIAL NONCOMPLIANCE

| | |
|-----------------------|----------------|
| Finding Number | 2001-21279-001 |
|-----------------------|----------------|

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the District’s fiscal officer. Every contract made without such certificate shall be null and void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two “exceptions” to the above requirements:

- a. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- b. If the amount involved is less than \$1,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

During 2001, all District expenditures were not certified by the fiscal officer prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The District should certify the availability of funds prior to incurring any obligation. This will help prevent over-spending. In addition, the District should inform all District employees of the requirements of Ohio Rev. Code Section 5705.41(D). As deemed appropriate, the District should also implement the use of “Then and Now Certificates” as alternate means of certifying funds.

This matter was also reported in our audit of the 2000 financial statements.

In addition, the District did not properly use the encumbrance method of accounting. As a result, encumbrances were not charged and posted against an appropriation account reducing the unencumbered balance appropriated for the account. The District should post encumbrances to the District’s ledgers which will enable management to effectively monitor spending and assist the District with budget management decisions.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|---|------------------|--|
| 2000-21279-001 | Ohio Rev. Code 5705.41 (D) requires District's fiscal officer to certify the availability of funds prior to any obligation. During 2000, the District did not certify the availability of funds prior to commitments being made. | No | Not Corrected. Reissued as Finding Number 2001-21279-001. |
| 2000-21279-002 | Ohio Rev. Code 135.18 requires the District's depository to pledge and deposit with the treasurer, as security for repayment of all public moneys to be deposited in the public depository over the amount of FDIC coverage. At December 31, 2000, the District's depository balances exceeded the FDIC and pledged collateral coverage. | Yes | |



STATE OF OHIO
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TWIN CITY WATER AND SEWER DISTRICT

TUSCARAWAS 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
MAY 9, 2002**