



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Twinsburg Township Water and Sewer District
Summit County
9833 Ravenna Road
Twinsburg, Ohio 44087

To the Board of Trustees:

We have audited the accompanying financial statements of the Twinsburg Township Water and Sewer District (the District) as of and for the years ended December 31, 2002 and 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 cash balances of the District as of December 31, 2002 and 2001, and its 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 8, 2003, 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.

Twinsburg Township Water and Sewer District
Summit County
Independent Accountants' Report
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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.

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Betty Montgomery
Auditor of State

April 8, 2003

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	2002	2001
Operating Cash Receipts:		
Charges for Services	\$75,868	\$39,388
Licenses, Permits and Fees	1,725	10,300
Interest	2,091	4,449
Other Revenue	10	1,527
	79,694	55,664
Operating Cash Disbursements:		
Personal Services	17,957	13,340
Utilities	1,089	1,116
Repairs and Maintenance	342	3,362
Licenses	0	100
Contractual Services	75,538	32,351
Office Supplies and Materials	963	1,983
Capital Outlay	0	1,814
Miscellaneous	134	26
	96,023	54,092
Operating Income/(Loss)	(16,329)	1,572
Cash Balances, January 1	118,408	116,836
Cash Balances, December 31	\$102,079	\$118,408

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

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 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a seven-member Board of Trustees. 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 water and sewer line maintenance and repair to hydrants within Twinsburg Township.

The District's Board of Trustees 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. Deposits and Investments

Investments are included in the fund cash balances. 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.

Certificates of deposit are valued at cost.

D. Budgetary Process

Ohio law requires that water and sewer districts adhere to the budget process described in Chapter 5705, Ohio Revised Code, regardless of whether property taxes are levied or bonds issued. This requires districts to adopt annual appropriations, which are to be limited by estimated resources. Additionally, expenditures are to be limited by appropriations.

Contrary to Chapter 5705, Ohio Revised Code, the District's Board of Trustees failed to comply with the budgetary requirements. For 2001 and 2002, the District did not establish an estimate of resources for each fund nor were appropriations established.

E. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. DEPOSITS AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2002</u>	<u>2001</u>
Demand deposits	\$36,693	\$54,818
Certificates of deposit	65,386	63,590
Total deposits	<u>\$102,079</u>	<u>\$118,408</u>

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

3. RETIREMENT SYSTEM

The District's part-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 2002 and 2001, OPERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of the participant's gross salary for 2002 and 2001. The District has paid all contributions required through December 31, 2002.

4. RISK MANAGEMENT

Commercial Insurance

The District is uninsured for the following risks:

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



**Auditor of State
Betty Montgomery**

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

Twinsburg Township Water and Sewer District
Summit County
9833 Ravenna Road
Twinsburg, Ohio 44087

To the Board of Trustees:

We have audited the accompanying financial statements of the Twinsburg Township Water and Sewer District (the District) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 8, 2003. 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 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 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 2002-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 8, 2003.

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.

However, we noted other 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 8, 2003.

Twinsburg Township Water and Sewer District
Summit County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 8, 2003

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.28(B)(2) provides that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of Ohio Rev. Code Section 5705.28. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county fiscal officer or the county budget commission.

Additionally, a taxing authority that does not levy a tax must follow sections 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44, and 5705.45 of the Ohio Revised Code. Documents prepared in accordance with these sections are not required to be filed with the county fiscal officer or county budget commission.

Lastly, the total appropriations from each fund of a taxing authority that does not levy a tax shall not exceed the total estimated revenue available for expenditures from the fund, and appropriations shall be made from each fund only for the purposes for which the fund is established.

The District is a taxing unit as defined in Ohio Rev. Code Section 5705.01. The District did not levy a tax during 2001 or 2002 and did not comply with any Chapter 5705 requirements during 2002 or 2001, contrary to section 5705.28(B)(2).

District officials should become familiar with these budgetary requirements and take the steps necessary to ensure future compliance.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-60977-001	Noncompliance with Chapter 5705, Ohio Revised Code	No	Not corrected; see Finding Number 2002-001.
2000-60977-002	Ohio Revised Code 121.22; Failure to establish a reasonable method of notifying the public of scheduled meetings	Yes	Fully corrected.
2000-60977-003	Ohio Revised Code 149.351; supporting documentation for expenditures and Board minutes unavailable for public inspection	No	Partially corrected. Noncompliance is not as significant as prior audit.
2000-60977-004	Material weakness relative to internal controls over street opening permits	Yes	Fully corrected.
2000-60977-005	Material weakness relative to internal controls over expenditures	Yes	Fully corrected.
2000-60977-006	Material weakness regarding insufficient internal controls relative to bank reconciliations and bank account information	No	Partially corrected. Noncompliance is not as significant as prior audit.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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 22, 2003**