

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

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2011 & 2010***

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





# Dave Yost • Auditor of State

Board of Trustees  
Twin City Water and Sewer District  
308 Grant Street  
Dennison, Ohio 44621

We have reviewed the *Report of Independent Accountants* of the Twin City Water and Sewer District, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 Twin City Water and Sewer District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 18, 2012

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**TWIN CITY WATER & SEWER DISTRICT  
TUSCARAWAS COUNTY  
For the Years Ending December 31, 2011 and 2010**

**TABLE OF CONTENTS**

<u><b>Title</b></u>	<u><b>Page #</b></u>
<b>Report of Independent Accountants</b>	<b>1-2</b>
<b>Statement of Receipts, Disbursements and Changes in Fund Cash Balances – Enterprise Funds - For the Years Ended December 31, 2011 and 2010</b>	<b>3</b>
<b>Notes to the Financial Statements</b>	<b>4 – 10</b>
<b>Independent Accountant’s Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i></b>	<b>11 – 12</b>
<b>Schedule of Findings</b>	<b>13</b>
<b>Schedule of Prior Audit Findings</b>	<b>14</b>

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Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Twin City Water and Sewer District  
Tuscarawas County  
308 Grant Street  
Dennison, Ohio 44621

To the Board of Trustees:

We have audited the accompanying financial statements of the Twin City Water and Sewer District (the District), Tuscarawas County, Ohio, as and for the years ended December 31, 2011 & 2010. 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 that our audit provides a reasonable basis for our opinion.

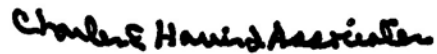
As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine 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 governments 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, 2011 and 2010, 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 of the Twin City Water and Sewer District, Tuscarawas County, Ohio, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2012, 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, 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 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.

A handwritten signature in black ink that reads "Charles E. Harris & Associates". The signature is written in a cursive, slightly slanted style.

*Charles E. Harris & Associates, Inc.*  
May 17, 2012



**TWIN CITY WATER AND SEWER DISTRICT  
TUSCAWARAS COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ENTERPRISE FUNDS  
For the Years Ended December 31, 2011 and 2010**

	<b>ENTERPRISE FUNDS</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash Receipts:</b>		
Charges for Services	\$ 3,078,049	\$ 3,086,651
Guarantee Deposits	3,700	3,850
<b>Total Cash Receipts</b>	<b>\$ 3,081,749</b>	<b>\$ 3,090,501</b>
<b>Cash Disbursements:</b>		
Personal Services	\$ 900,738	\$ 897,619
Benefits	531,563	499,515
Contractual Services	106,640	152,867
Utilities	300,245	291,185
Berm Repairs	38,815	42,329
Equipment Repairs	93,713	113,028
Supplies and Materials	300,945	270,949
Guarantee Deposits Refund	6,095	7,050
<b>Total Cash Disbursements</b>	<b>\$ 2,278,754</b>	<b>\$ 2,274,542</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>\$ 802,995</b>	<b>\$ 815,959</b>
<b>Non-Operating Cash Receipts:</b>		
Proceeds of Loans	57,000	383,411
Intergovernmental Revenue	23,813	217,461
Interest	13,613	15,872
Insurance Reimbursement	231,474	260,311
Other Non-Operating Receipts	71,858	39,545
<b>Total Non-Operating Cash Receipts</b>	<b>\$ 397,758</b>	<b>\$ 916,600</b>
<b>Non-Operating Cash Disbursements:</b>		
Debt Service		
Principal	\$ 329,976	\$ 514,540
Interest	288,123	298,341
Capital Outlay	325,309	604,858
Insurance Claims	124,985	61,577
<b>Total Non-Operating Cash Disbursements</b>	<b>\$ 1,068,393</b>	<b>\$ 1,479,316</b>
<b>Net Receipts Over/(Under) Disbursements</b>	<b>\$ 132,360</b>	<b>\$ 253,243</b>
<b>Fund Cash Balance, January 1,</b>	<b>\$ 2,189,445</b>	<b>\$ 1,936,202</b>
<b>Fund Cash Balance, December 31,</b>	<b>\$ 2,321,805</b>	<b>\$ 2,189,445</b>

See accompanying Notes to the Financial Statements.

**TWIN CITY WATER & SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Twin City Water & Sewer District, Tuscarawas 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. 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. INVESTMENTS**

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and the sale of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. FUND ACCOUNTING**

The District uses fund accounting to segregate cash and investments that are restricted to use. The District classifies its funds into the Enterprise Fund Type.

Enterprise Funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods and services will be recovered through user charges. The District had the following significant Enterprise Funds:

**TWIN CITY WATER & SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -(Continued)**

**D. FUND ACCOUNTING (continued)**

*Water Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

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

*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 the sewer construction projects.

**E. BUDGETARY PROCESS**

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

- **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

- **Estimated Resources**

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

- **Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding are carried over, and need not be re-appropriated.

A summary of budgetary activity appears in Note 3.

**TWIN CITY WATER & SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**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 is not reflected as a liability under the District's basis of accounting.

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

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 was as follows:

		<u>2011</u>		<u>2010</u>
Demand Deposits	\$	2,239,643	\$	2,107,330
STAR Ohio		82,162		82,115
<b>Total Deposits and Investments</b>	<b>\$</b>	<b><u>2,321,805</u></b>	<b>\$</b>	<b><u>2,189,445</u></b>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by a Bank Deposit Guaranty Bond.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

<u>Budgeted vs. Actual Receipts</u>		
<u>Fund Type</u>	<u>2011</u>	<u>2010</u>
Budgeted Receipts	\$ 3,479,282	\$ 3,898,866
Actual Receipts	3,479,507	4,007,101
<b>Variance</b>	<b><u>\$ 225</u></b>	<b><u>\$ 108,235</u></b>

**TWIN CITY WATER & SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**3. BUDGETARY ACTIVITY - (Continued)**

<b>Budgeted vs. Actual Budgetary Basis Disbursements</b>		
<b>Fund Type</b>	<b>2011</b>	<b>2010</b>
Appropriation Authority	\$ 3,394,938	\$ 3,773,514
Budgetary Disbursements	3,394,695	3,867,359
<b>Variance</b>	<b>\$ 243</b>	<b>\$ (93,845)</b>

**4. DEBT**

Debt outstanding at December 31, 2011 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
<b>USDA FMHA Loans</b>		
Uhrichsville Dennison No. 91-10	\$ 1,256,000	5.00%
Uhrichsville Dennison No. 91-14	76,000	5.00%
Roanoke No. 91-09	254,477	5.00%
Roanoke No. 97-01	203,000	6.13%
Midvale No. 92-03	418,000	6.13%
Midvale No. 92-05	242,000	6.13%
Midvale No. 92-07	215,000	6.25%
Midvale No. 92-08	49,000	6.00%
<b>Total</b>	<b>2,713,477</b>	
<b>Ohio Water Development Authority Loans</b>		
Loan No. 4462	1,211,338	1.00%
Loan No. 5408	181,613	1.00%
<b>Total</b>	<b>1,392,951</b>	
<b>Ohio Public Works Commission Loans:</b>		
Loan CN033	107,593	0.00%
<b>Total</b>	<b>107,593</b>	
<b>USDA Sewer System Revenue Bonds</b>	2,503,000	4.50%
<b>Total</b>	<b>\$ 6,717,021</b>	

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 were incurred for utility construction projects. Property owned by the District and revenue earned by the District has 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.

**TWIN CITY WATER & SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**4. DEBT (continued)**

The District issued USDA Sewer System Revenue Bonds in September 2001 in the amount of \$2,828,000 to finance improvements at the wastewater treatment plant, which were mandated by the Ohio EPA.

The District was approved for a \$1,529,660 loan from the Ohio Water Development Authority to reline the truck sewer line in 2006. The District is still drawing against this loan in 2011. No amortization is included for this loan (#4462) since OWDA has not yet finalized the payment schedule. The District drew down \$57,000 in 2011.

The District also received \$383,411 loan (#5408) from the Ohio Water Development Authority for a rotary fan sludge press project in 2010.

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

	USDA Sewer System Revenue Bonds	USDA FMHA Loans	OWDA Loans	OPWC Loans
Year ending December 31:				
2012	\$ 153,635	\$ 333,518	\$ 10,519	\$ 14,346
2013	153,790	331,740	10,519	14,346
2014	152,855	333,582	10,519	14,346
2015	153,875	330,818	10,519	14,346
2016	153,760	332,693	10,519	14,346
2017-2021	768,655	1,462,645	52,595	35,863
2022-2026	768,760	1,248,144	52,595	-
2027-2031	767,935	198,088	42,076	-
2032-2036	768,070	-	-	-
2037-2041	768,735	-	-	-
Total	<u>\$ 4,610,070</u>	<u>\$ 4,571,228</u>	<u>\$ 199,861</u>	<u>\$ 107,593</u>

**5. LEASES**

The District leased a sterling chassis (jet truck) at interest rate 5.3% in 2005 for an original cost of \$156,907. Future lease payments are as follows:

Year	<u>Amount</u>
2012	\$ 27,621
Total	27,621
Less: Amount representing interest	(1,445)
Present value of net minimum lease payments	<u>\$ 26,176</u>

**TWIN CITY WATER & SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**6. RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 10% in 2010 and 2011 of their gross salaries. The District contributed an amount equal to 14% of participants' gross salaries, respectively. The District has paid all contributions required through December 31, 2011.

**7. RISK MANAGEMENT**

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2010 and 2009 (the latest information available):

	<b><u>2010</u></b>	<b><u>2009</u></b>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

**TWIN CITY WATER & SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**7. RISK MANAGEMENT – (Continued)**

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the District's share of these unpaid claims collectible in future years is approximately \$36,000.

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><u>Contributions to PEP</u></b>	
<b><u>2011</u></b>	<b><u>2010</u></b>
\$38,942	\$34,970

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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.

**Self Insurance**

The District is self insured for employee health insurance. 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.

Settled claims have not been exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

**8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.



**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Twin City Water & Sewer District  
Tuscarawas County  
308 Grant Street  
Dennison, OH 44621

To the Board of Trustees:

We have audited the financial statements of the Twin City Water and Sewer District, Tuscarawas County, Ohio (the District) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated May 17, 2012, wherein we noted the District followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

## Compliance and Other Matters

As part of reasonably assuring whether the District's financial 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 17, 2012.

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



***Charles E. Harris and Associates, Inc.***

May 17, 2012

**TWIN CITY WATER AND SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
Schedule of Findings  
For the Years Ending December 31, 2011 and 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number 2011-001

Material Weakness

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. This process involves accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. The District did not resolve various differences between the adjusted bank balance and the cash balance reflected in the District's accounting records. These differences were the result of using the November bank statement balance for their Self-Insurance Fund bank account. The book balance was understated by \$19,422 at December 31, 2010 which represents the December net activity reflected in the 2011 financial statements. The financial statements have been adjusted to reflect the proper cash balance as of year-end and the proper gross activity in each year.

Further, in 2011, the District failed to properly reconcile the bank balance to the balance of cash in the accounting records. The District again used the November bank statement balance for their Self-Insurance Fund for their bank reconciliation, but used the December bank statement balance in their accounting records. No adjustments to the records were necessary.

Without complete and accurate monthly bank reconciliations, the District's internal control is weakened, which could hinder the detection of errors or irregularities by the District's management in a timely manner.

We recommend that the District properly complete bank reconciliations, using the December bank statements for their bank and investment accounts. If there are reconciling items, the Fiscal Officer should determine the accuracy of these items and update the accounting system and records timely. The Board of Trustees can then accurately monitor the District's monthly financial activity, determine their respective cash position and make sound decisions. Reconciliations should be reviewed by the governing body on a monthly basis and be formally approved attesting to their accuracy and completeness and noted in the monthly minute meeting.

Management Response:

Please be advised that I reconcile the bank balance each month.

Be advised that the District used the November 2010 and 2011 insurance bank balance due to not receiving the December 2010 and 2011 bank statements until January 6, 2010 and 2011, or later. The District would have closed out the prior year before this date in order to process payroll, etc.

I have requested Medical Benefits forward the bank statement earlier in month, but they are unable to do so. Med Ben is required to wait until they receive authorization from Park National before releasing bank statements to their customers, which is not until around the 6th of the month, or later. Management will explore other options to perform the bank reconciliation.

TWIN CITY WATER AND SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
For the Years Ended December 31, 2011 and 2010

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, as of December 31, 2009 and 2008, reported no material citations or recommendations.



# Dave Yost • Auditor of State

**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  
OCTOBER 2, 2012**