

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

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004***

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





**Auditor of State  
Betty Montgomery**

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, 2004 through December 31, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

September 26, 2006

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**TWIN CITY WATER & SEWER DISTRICT  
TUSCARAWAS COUNTY  
For the Years Ending December 31, 2005 and 2004**

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

**REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Trustees  
Twin City Water and Sewer District  
Dennison, Ohio 44621

We have audited the accompanying financial statements of the Twin City Water and Sewer District, Tuscarawas County (the District) as of and for the years ended December 31, 2005 and 2004. 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.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the 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, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position 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 and reserves for encumbrances of the Twin City Water and Sewer District, Tuscarawas County, as of December 31, 2005 and 2004, 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, 2005 and 2004. 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 July 28, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and 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.***

July 28, 2006

**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, 2005 and 2004**

	<b>ENTERPRISE FUNDS</b>	
	<b>2005</b>	<b>2004</b>
<b>Cash Receipts:</b>		
Charges for Services	\$ 2,383,944	\$ 2,259,399
Guarantee Deposits	31,600	30,850
<b>Total Cash Receipts</b>	<b>\$ 2,415,544</b>	<b>\$ 2,290,249</b>
<b>Cash Disbursements:</b>		
Personal Services	\$ 770,219	\$ 792,328
Benefits	445,591	443,868
Contractual Services	110,728	12,600
Utilities	215,122	195,908
Berm Repairs	20,466	35,400
Equipment Repairs	124,322	145,114
Supplies and Materials	190,170	186,371
Guarantee Deposit Refunds	28,292	27,313
Capital Outlay	210,809	298,518
<b>Total Cash Disbursements</b>	<b>\$ 2,115,719</b>	<b>\$ 2,137,420</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>\$ 299,825</b>	<b>\$ 152,829</b>
<b>Non-Operating Cash Receipts:</b>		
Proceeds of Loans	\$ 110,550	\$ 12,778.00
Intergovernmental Revenue	24,110	24,420
Interest	39,878	23,874
Miscellaneous	18,746	16,775
Other Non-Operating Receipts	62,566	76,459
<b>Total Non-Operating Cash Receipts</b>	<b>\$ 255,850</b>	<b>\$ 154,306</b>
<b>Non-Operating Cash Disbursements:</b>		
Debt Service		
Principal	\$ 172,842	\$ 165,799
Interest	324,391	331,775
Other Non-Operating Cash Disbursements	68,504	84,875
<b>Total Non-Operating Cash Disbursements</b>	<b>\$ 565,737</b>	<b>\$ 582,449</b>
<b>Net Receipts Over/(Under) Disbursements</b>	<b>\$ (10,062)</b>	<b>\$ (275,314)</b>
<b>Fund Cash Balance, January 1,</b>	<b>\$ 1,317,610</b>	<b>\$ 1,592,924</b>
<b>Fund Cash Balance, December 31,</b>	<b>\$ 1,307,548</b>	<b>\$ 1,317,610</b>
<b>Reserve for Encumbrances, December 31,</b>	<b>\$ 17,343</b>	<b>\$ -</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, 2005 AND 2004**

**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, 2005 AND 2004**

**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 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 reappropriated.

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, 2005 AND 2004**

**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>2005</u>	<u>2004</u>	
Demand Deposits	\$ 1,235,311	\$ 1,247,553	
STAR Ohio	72,237	70,057	
<b>Total Deposits and Investments</b>	<b>\$ <u>1,307,548</u></b>	<b>\$ <u>1,317,610</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, 2005 and 2004 follows:

<u>Fund Type</u>	<u>2005</u>	<u>2004</u>	
Budgeted Receipts	\$ 2,385,664	\$ 2,370,500	
Actual Receipts	2,671,394	2,444,555	
<b>Variance</b>	<b>\$ <u>285,730</u></b>	<b>\$ <u>74,055</u></b>	

**TWIN CITY WATER & SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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

<b>Fund Type</b>	<b>2005</b>	<b>2004</b>
Appropriation Authority	\$ 2,600,643	\$ 2,743,728
Budgetary Expenditures	2,698,799	2,719,869
<b>Variance</b>	<b>\$ (98,156)</b>	<b>\$ 23,859</b>

**4. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
<b>USDA FMHA Loans</b>	\$	
Uhrichsville Dennison No. 91-10	1,581,000	5.00%
Uhrichsville Dennison No. 91-14	97,000	5.00%
Roanoke No. 91-09	441,477	5.00%
Roanoke No. 97-01	241,000	6.13%
Midvale No. 92-03	497,000	6.13%
Midvale No. 92-05	289,000	6.13%
Midvale No. 92-07	248,000	6.25%
Midvale No. 92-08	55,000	6.00%
<b>Total</b>	<b>3,449,477</b>	
<b>Ohio Water Development Authority Loans</b>		
Loan No. 1951	101,967	7.77%
Loan No. 4124	123,328	1.00%
Total	<b>225,295</b>	
<b>Ohio Public Works Commission Loans:</b>		
Loan CN033	193,669	0.00%
Loan CN325	74,900	0.00%
Loan CN731	13,277	0.00%
<b>Total</b>	<b>281,846</b>	
<b>USDA Sewer System Revenue Bonds</b>	2,715,000	4.50%
<b>Total</b>	<b>\$ 6,671,618</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 was 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, 2005 AND 2004**

**4. DEBT (continued)**

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

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 is anticipating approximately \$1.5 million from the Ohio Water Development Authority to reline the truck sewer line. The District also received a \$123,328 loan toward the planning of this project in 2004 and 2005. No amortization is included since OWDA has not yet finalized payment schedule.

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:				
2006	\$ 154,175	\$ 295,316	\$ 22,730	\$ 26,374
2007	152,735	294,594	22,850	26,374
2008	154,295	294,599	22,980	26,374
2009	153,720	295,233	23,119	26,374
2010	153,100	293,531	23,269	26,374
Subsequent	4,764,515	4,295,675	11,674	149,976
Total	<u>\$ 5,532,540</u>	<u>\$ 5,768,948</u>	<u>\$ 126,622</u>	<u>\$ 281,846</u>

**5. LEASES**

The District leased an operating sterling chassis (jet truck) at interest rate 5.3% in 2005. Future lease payments are as follows:

Years	Amount
2006	\$ 27,621
2007	27,621
2008	27,621
2009	27,621
2010	27,621
2011-2012	55,242
Total	<u>\$ 193,347</u>

**TWIN CITY WATER & SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**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. For 2005 and 2004, OPERS members 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, 2005.

**7. RISK MANAGEMENT**

The District is exposed to various risks of property and casualty losses, and injuries to employees. The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

**Casualty Coverage**

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 from the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage**

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000, up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

**TWIN CITY WATER & SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**7. RISK MANAGEMENT – (Continued)**

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined member's total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**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, 2005 and 2004:

<b><u>Casualty Coverage</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Assets	\$ 29,719,675	\$ 27,437,169
Liabilities	(15,994,168)	(13,880,038)
<b>Retained Earnings</b>	<b>\$ <u>13,725,507</u></b>	<b>\$ <u>13,557,131</u></b>
<b><u>Property Coverage</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Assets	\$ 4,443,332	\$ 3,648,272
Liabilities	(1,068,245)	(540,073)
<b>Retained Earnings</b>	<b>\$ <u>3,375,087</u></b>	<b>\$ <u>3,108,199</u></b>

The Casualty Coverage assets and retained earning above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The District's share of these unpaid claims is approximately \$73,942 as for fiscal year 2006.

**TWIN CITY WATER & SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**7. RISK MANAGEMENT – (Continued)**

**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.

**8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS**

Amounts received from 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.

**9. BUDGETARY NONCOMPLIANCE**

During 2005 and 2004, some District expenditures were not certified by the fiscal officer in accordance with Ohio Revised Code Section 5705.41(D). Also, the District had certain disbursements which exceeded appropriations, contrary to Ohio Revised Code Section 5705.41(B).

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**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**

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

We have audited the accompanying financial statements of the Twin City Water & Sewer District, Tuscarawas County, Ohio (the "District") as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 28, 2006, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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 July 28, 2006.

**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 affect 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 an opinion. The results of our tests disclosed several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-01 through 2005-03. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated July 28, 2006.

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.*

July 28, 2006

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS</b>
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**FINDING NUMBER 2005-01**

**Noncompliance Citation**

Certification of Expenditures

**Ohio Revised Code Section 5705.41 (D)**, requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “Then and Now” Certificates, Blanket Certificates, and Super Blanket Certificates, which are provided for in sections 5705.41(D) (1) and 5705.41(D) (3), respectively, of the Ohio Revised Code.

1. **“Then and Now” Certificate** – If the fiscal officer can certify that both at the time the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the District.
2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. 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 predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line items appropriation.

The District did not properly certify the availability of funds for 34 of 60 non-payroll expenditures tested for the audit period. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

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

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS – (Continued)</b>
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**FINDING NUMBER 2005-01  
(Continued)**

Also, we noted that the District did not use purchase orders to encumber funds for all debt payments in during 2004 and 2005. In addition, the District did not properly use the encumbrance method of accounting for these funds. As a result, encumbrances were not charged and posted against an appropriation account reducing the unencumbered balance appropriated from the account.

To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend the Clerk certify the availability of funds prior to the commitment for the expenditure of the District money. The District should consider the use of blanket purchase orders and "Then and Now" certificates to assist in complying with the above requirements.

The Clerk should prepare purchase orders for all payments. In addition, the Clerk should record encumbrances to the District's ledgers, which will enable management to effectively monitor spending and assist the District with budget related management decisions.

The Clerk agrees to closely monitor the disbursement activities in the future.

**FINDING NUMBER 2005-02**

**Noncompliance Citation**

Compilation of Self Insurance Report and Certify Reserved Amount by an Actuary

Ohio Rev. Code Section 9.833 requires individual, self-insured governments or joint self-insured health-care programs to calculate (i.e., reserve) amounts required to cover health care benefit liabilities. (Health care insurance includes, but is not limited to health care, prescription drugs, dental care and vision care.) It also requires programs to prepare a report, within 90 days after the fiscal year-end, reflecting those reserves (i.e., liabilities) and the disbursements made to pay self-insured claims, legal and consultant costs during the preceding fiscal year. This report is not filed with any office, including the Auditor of State; the government should make it available upon request.

An actuary must certify that the amounts reserved are fairly stated in accordance with sound loss reserving principles. The actuary must be a member of the American Academy of Actuaries.

During our audit, we noted that the District has a self-insured health care program. However, the District neither prepares program report as described nor has an actuary certify the amounts reserved. Lack of this program report and uncertified reserved funding results in inadequate disclosure of the self-insurance fund and having the District exposed to potential unaffordable medical claims. We recommend the District prepare a program report and have an actuary, who is a member of the American Academy of Actuaries, certify that the amounts reserved are fairly stated in accordance with sound loss reserving principles.

The District elects not to have an actuary report due to cost-efficiency concerns.

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

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2005 AND 2004**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS – (Continued)**

**FINDING NUMBER 2005-03**

**Noncompliance Citation**

Restrictions on appropriating and expending money

Ohio Revised Code section 5705.28(B)(2) requires:

- (1) 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 this section. 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 ensuring 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.
- (2) Entities to follow relevant appropriation requirements stated in Ohio Revised Code section 5705.41.

However, documents prepared in accordance with these sections need not be filed with the county auditor or county budget commission.

Ohio Revised Code section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

During our audit, we noted the District adopted an operating budget that did not include all the expenses that are anticipated to occur and the amount required for debt charges during the fiscal year. Also, the District did not closely monitor budget activities and timely supplemented appropriations. As a result, the following funds have total expenses and contract commitments (including outstanding encumbrances) exceeding appropriations for 2005 and 2004.

**2005**

Funds	Appropriations	Total Expenses	Variance
Sewer Construction D.S.Fund	\$ -	\$ 24,110	\$ (24,110)
Infrastructure Charges	-	14,938	(14,938)
OWDA Re-Line Trunk	-	110,723	(110,723)
Total	\$ -	\$ 149,771	\$ (149,771)

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

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2005 AND 2004**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS – (Continued)**

**FINDING NUMBER 2005-03  
(Continued)**

**2004**

Funds	Appropriations	Total Expenses	Variance
Sewer Construction D.S.Fund	\$ -	\$ 24,420	\$ (24,420)
OWDA Re-Line Trunk	-	12,600	(12,600)
Total	\$ -	\$ 37,020	\$ (37,020)

We recommend the District frequently compare expenses with appropriation authority to help avoid overspending available resources and supplement appropriations when needed after obtaining approval from the Board of Trustees.

A similar matter was also communicated to the District in the management letter for the 2 years ended December 31, 2003.

The Clerk agrees to closely monitor the budgetary activities in the future.

TWIN CITY WATER AND SEWER DISTRICT  
TUSCARAWAS COUNTY, OHIO  
For the Years Ended December 31, 2005 and 2004

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2003-001	<b>Ohio Revised Code section 5705.41(D)</b> requires the District's fiscal officer to certify the availability of funds prior to any obligation. During 2003, the District did not certify the availability of funds prior to commitments being made.	No	Not corrected, reissued in 2005 as Finding Number 2005-01.
2003-002	<b>OMB Circular A-133</b> requires a single audit be performed within 9 months after year-end. The District's audit was completed beyond the 9 month requirement.	Yes	Single audit was not required for 2004 or 2005.



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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  
OCTOBER 23, 2006**