

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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



**Auditor of State
Betty Montgomery**

Board of Trustees
Twinsburg Township Water and Sewer District
9833 Ravenna Road
Twinsburg, Ohio 44087

We have reviewed the *Report of Independent Accountants* of the Twinsburg Township Water and Sewer District, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 4, 2006

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**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
AUDIT REPORT
FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1 – 2
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances For the Years Ended December 31, 2004 and 2003	3
Notes to the Financial Statements	4 – 6
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Required by <i>Government Auditing Standards</i>	7 – 8
Schedule of Findings	9 – 14
Schedule of Prior Audit Findings	15

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

REPORT OF INDEPENDENT ACCOUNTANTS

Members of Board of Trustees
Twinsburg Township Water and Sewer District
Summit County
Twinsburg Township, Ohio

We have audited the accompanying financial statements of Twinsburg District Water and Sewer District, Summit County, Ohio (the District) as of and for the years ended December 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has presented these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 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 this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Twinsburg District Water and Sewer District, Summit County, as of December 31, 2004 and 2003, 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 year ended December 31, 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 January 13, 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 do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
January 13, 2006

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES FOR THE
YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
Operating Cash Receipts:		
Intergovernmental	74,947	50,256
Charges for Services	152,804	181,849
Licenses, Permits and Fees	300	600
Developers Fees/Deposits	107,740	65,625
Interest	1,968	2,158
Other	340	2,251
	338,099	302,739
Operating Cash Disbursements:		
Personal Services	19,804	12,839
Utilities	1,366	1,023
Repairs and Maintenance	5,705	4,682
Contractual Services	148,249	159,977
Office Supplies and Materials	4,948	1,690
Capital Outlay	962,816	126,016
Miscellaneous	-	1,173
	1,142,888	307,400
Operating Income/(Loss)	(804,789)	(4,661)
Non-Operating Receipts		
Proceeds from OWDA Loan	887,865	126,215
	887,865	126,215
Net Income	83,076	121,554
Cash Balances, January 1	223,633	102,079
Cash Balances, December 31	\$ 306,709	\$ 223,633

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

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Twinsburg Township Water and Sewer District, Summit County, (the District) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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 construction of water lines and major repair and servicing of hydrants within the Townships.

The District's Board of Trustees believes these financial statements present all activities of the District 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 disbursement basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. These statements include adequate disclosures of material matters, as prescribed or permitted by the Auditor of State.

C. INVESTMENTS AND INACTIVE FUNDS

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

D. FUND ACCOUNTING

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

General Fund: The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

E. 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.

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

The carrying amounts of the District's cash and investments at December 31, 2003 and 2004 were as follows:

	<u>2004</u>	<u>2003</u>	
Demand Deposits	\$ <u>306,709</u>	\$ <u>223,633</u>	

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

3. 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 2004 and 2003, OPERS members contributed 8.5% of their gross salaries. The District has paid all contributions required through December 31, 2004.

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003**

4. RISK MANAGEMENT

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

- Comprehensive property and general liability
- Errors and omissions

5. OHIO WATER AUTHORITY (OWDA) - DEBT

The Twinsburg Township Water and Sewer District entered into two loan agreements with OWDA for the Water Design (planning loan) and the Marwell/Twinsburg Road Water Main. The Water Design loan was authorized on May 29, 2003 and in 2004 was rolled into the Marwell/Twinsburg Road Water Main. The Marwell/Twinsburg Road Water Main loan was authorized June 24, 2004. The total of the two loans is \$1,250,000 with the first repayment due July 1, 2005 and final payment January 1, 2024 at a rate of 3.98 percent.

<u>Debt</u>	<u>Balance Outstanding 1/1/2003</u>	<u>OWDA Paid to Date Additions</u>	<u>Deductions</u>	<u>Balance Outstanding 12/31/2004</u>
Marwell/Twinsburg Road Water Main	-	1,014,260	-	1,014,260
Capitalized Interest for Water Design	-	3,469	-	3,469
Total	<u>-</u>	<u>1,017,729</u>	<u>-</u>	<u>1,017,729</u>

The capitalized interest for the Water Design loan which was complete has been applied to the loan as noted above. Capitalized interest for the construction loan of \$ 7,555 as of December 31, 2004 will not be applied to the loan until project is completed.

6. LEGAL COMPLIANCE

Pursuant to Section 117.11(A) of the Revised Code, we performed tests of compliance with provisions of local, state, and /or federal laws, as applicable. The auditor's report on the District's compliance with the Ohio Revised Code and internal control structure comments are in a separate part of this presentation.

7. SUBSEQUENT EVENTS/PENDING LITIGATION

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**

Members of Board of Trustees
Twinsburg Township Water and Sewer District
Summit County
Twinsburg Township, Ohio

We have audited the financial statements of the Twinsburg Township Water and Sewer District, Summit County, Ohio (the District) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated January 13, 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 Controls 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 03/04-TTW&S-002 and 03/04-TTW&S-003.

A material weakness is a reportable 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable conditions described above are material weaknesses.

We also 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 January 13, 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 and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 03/04-TTW&S- 001.

We also noted other matters involving compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 13, 2006.

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

Charles E. Harris and Associates, Inc.
January 13, 2006

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2004 & 2003**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 03/04-TTW&S-001

Noncompliance Citation

Ohio Revised 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 the Ohio Revised 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, 5795.44, 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 Revised Code Section 5705.01. The District did not levy a tax during 2003 or 2004 and did not comply with any Chapter 5705 requirements during 2004 or 2003, contrary to Section 5705.28(B)(2).

The District officials should become familiar with these budgetary requirements and take the steps necessary to ensure future compliance. The above required documents should appear by the Board of Trustees with copies in the Board's Minute Records.

Management is taking steps to comply with this section of the Ohio Revised Code.

FINDING NUMBER 03/04-TTW&S-002

Noncompliance Citation

Clerk's Certificate and Expenditures

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

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2004 & 2003**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 03/04-TTW&S-002 (Continued)

There are several exceptions to the basic requirement stated above, one of which is provided for in section 5705.41(D)(1) of the Revised Code.

1. "Then and Now" Certificate: If the clerk-treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that he is completing his certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within thirty days, there is no legal liability on the part of the District.

Amounts less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the clerk-treasurer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. "Blanket" Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.

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

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2004 & 2003**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 03/04-TTW&S-002 (Continued)

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

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

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

FINDING NUMBER 03/04-TTW&S-003

Material Weakness

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

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

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

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2004 & 2003**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 03/04-TTW&S-003 (continued)

Material Weakness (continued)

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

The District has computerized financial records, using a personal computer and QuickBooks software. An old version of the software was used in 2003 but an updated version was used by the new bookkeeper hired in 2004. We noted they do not utilize the following:

- (1) Purchase orders are not issued for expenditures, and therefore there are no clerk-treasurer "certificates" attached to expenditures.
- (2) With no purchase order used, the District does not encumber. Therefore, they do not know at any one time how much money is still available to expend.

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2004 & 2003**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 03/04-TTW&S-003 (continued)

Material Weakness (continued)

- (3) The District has only one employee, the bookkeeper (Assistant Secretary), and the Board members are paid a monthly fee of \$40 for attending meetings with one Board Member paid the same \$40 for acting as Clerk-Treasurer. The District prepared W-2's for both the Bookkeepers and Board Members. The Bookkeeper maintained her payroll information by hand on a pad of paper listing her deduction for each pay period.

Recommendation

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

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

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

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

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

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2004 & 2003**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 03/04-TTW&S-004

Material Weakness

The District had two successive Bookkeepers (Assistant Secretaries) during the audit. The records maintained by the first Bookkeeper were incomplete. The new Bookkeeper hired in 2004 completed the 2003 records using new an updated version of QuickBooks. These records were incomplete. The new Bookkeeper had little assistance with the records and how they were to be maintained and what was required. There were several Clerk-Treasurers during the audit who were members of the Board of Trustees. The Clerk-Treasurers had little or no training and could not provide assistance to the new Bookkeeper.

We noted the District did not have an accounting procedures manual. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by the Board of Trustees and required by the Auditor of State and State Laws under Ohio Administrative Code Section 117-2-02.

We recommend that the Board of Trustees establish a standard accounting and operating procedures manual outlining policies to be followed. The preparation and maintenance of written standard procedures is very useful to do the following:

- o Establish consistent Board practices.
- o Fix accounting and bookkeeping responsibilities.
- o Reduce the likelihood of coding errors and assist in the preparation of timely and accurate monthly financial statement to be presented to the Board of Trustees.
- o Aid in review by the Board for adherence to District policies.
- o Provide the District with a source of information that will not be lost if key personnel leave.
- o Aid in the training of new employees, especially in the event of an untimely resignation of key accounting staff.

The manual should include, along with a chart of accounts, detailed explanations of account content, appropriate descriptions of all accounting procedures and routines, and definitions of job authority and responsibility.

A good starting point for the District's accounting manual is the Ohio Township Handbook prepared by the Auditor of State's Office available on line from the Auditor of State's web site.

Management is reviewing the requirement and will comply with the Ohio Administrative Code.

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2004 & 2003**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Noncompliance with Chapter 5705, Ohio Revised Code	No	Not corrected; see Finding Number 03/04-TTW&S-001



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
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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
MAY 16, 2006**