

***TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO***

***(Formerly Twinsburg Township Water and Sewer District)***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007***

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





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Twin Keystone Water District  
8460 Tower Park Dr.  
Twinsburg, Ohio 44087

We have reviewed the *Report of Independent Accountants* of the Twin Keystone Water District, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. 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 Keystone Water District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

September 8, 2009

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**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007**

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

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**REPORT OF INDEPENDENT ACCOUNTANTS**

**Twin Keystone Water District  
Summit County  
8460 Tower Park Dr  
Twinsburg, Ohio 44087**

**The Board of Trustees:**

**We have audited the accompanying financial statements of the Twin Keystone Water District, Summit County, Ohio (the District) as of and for the years ended December 31, 2008 and 2007, 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 years ended December 31, 2008 and 2007. 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 years ended December 31, 2008 and 2007 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, 2008 and 2007, 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 of the Twin Keystone Water District, Summit County, as of December 31, 2008 and 2007, 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, 2008 and 2007. 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 17, 2009, 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.***  
July 17, 2009



**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
<b>Operating Cash Receipts:</b>		
Charges for Services	\$ 195,687	\$ 195,417
Licenses, Permits and Fees	661	3,665
Developers Fees/Deposits	15,597	25,788
Plan Review	2,064	16,539
District Capital Improvement Fees	-	3,200
	214,009	244,609
<b>Total Operating Cash Receipts</b>	<b>214,009</b>	<b>244,609</b>
<b>Operating Cash Disbursements:</b>		
Personal Services	25,216	34,616
Contractual Services	78,147	93,553
Utilities	3,913	3,516
Repairs and Maintenance	17,869	8,668
Office Supplies and Materials	2,579	6,885
Capital Outlay	4,103	-
Collection Fees	16,610	14,289
Miscellaneous	3,452	4,525
Debt:		
Principal	45,782	44,013
Interest	42,801	44,570
	240,472	254,635
<b>Total Operating Cash Disbursements</b>	<b>240,472</b>	<b>254,635</b>
<b>Operating Income/(Loss)</b>	<b>(26,463)</b>	<b>(10,026)</b>
<b><u>Non-Operating Receipts:</u></b>		
Interest	2,667	3,035
Miscellaneous	1,614	175
	4,281	3,210
<b>Total Non-Operating Receipts</b>	<b>4,281</b>	<b>3,210</b>
<b>Net Income</b>	<b>(22,182)</b>	<b>(6,816)</b>
<b>Cash Balances, January 1</b>	<b>494,672</b>	<b>501,488</b>
<b>Cash Balances, December 31</b>	<b>\$ 472,490</b>	<b>\$ 494,672</b>

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

**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Twin Keystone Water 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. A seven-member Board of Trustees directs the District. 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 Township.

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

In December of 2006 the District petitioned the courts to change their name to Twin Keystone Water District. The Judge approved the petition on December 29, 2006, but the District did not announce the name change until the January, 2007 board meeting.

**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**

The provisions of the Ohio Revised Code restrict investment procedures. 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 District has one enterprise fund. The restrictions associated with Proprietary Funds – Enterprise Fund type's are as follows:

Enterprise Fund – Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal service. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursement as nonoperating.

**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**E. BUDGETARY PROCESS**

The Ohio Revised Code requires the District to budget annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not issue purchase orders nor did they encumber any commitments.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**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, 2008 and 2007 were as follows:

	<u>2007</u>	<u>2008</u>	
Demand Deposits	\$ <u>494,672</u>	\$ <u>472,490</u>	

**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007**

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (continued)**

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. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

<b>Budgeted vs. Actual Receipts</b>		
<b>Enterprise Fund</b>	<b>2007</b>	<b>2008</b>
Budgeted Receipts	\$ 195,500	\$ 250,000
Actual Receipts	247,819	218,290
Variance	\$ 52,319	\$ (31,710)

<b>Budgeted vs. Actual Budgetary Basis Expenditures</b>		
<b>Enterprise Fund</b>	<b>2007</b>	<b>2008</b>
Appropriation Authority	\$ 195,000	\$ 250,000
Budgetary Expenditures	254,635	240,472
Variance	\$ (59,635)	\$ 9,528

**4. RETIREMENT SYSTEM**

The District's full-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 2008, OPERS members contributed 10 percent and for 2007, 9.5 percent of their gross salaries. The District contributed an amount equal to 14 percent for 2008 and 13.85 percent for 2007, per participants' gross salaries. The District has paid all contributions required through December 31, 2008.

**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007**

**5. 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 any insurance.

During the audit, the District bonded both the Treasurer and the Assistant Secretary/Bookkeeper in the amount of \$10,000 each.

**6. OHIO WATER DEVELOPMENT AUTHORITY (OWDA) - DEBT**

The Twin Keystone Water 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 final total of the two loans is \$1,213,741, 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 1/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Outstanding 12/31/08</u>
Marwell/Twinsburg Road Water Main	<u>\$ 1,130,752</u>	<u>\$ -</u>	<u>\$ 89,795</u>	<u>\$ 1,040,957</u>

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

<u>Years</u>	<u>Principal and Interest</u>
2009	\$ 88,583
2010	88,583
2011	88,583
2012	88,583
2013	88,583
2014-2018	442,914
2019-2023	442,914
2024	88,583
<b>Total</b>	<b>\$ 1,417,326</b>

**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007**

**7. LEGAL COMPLIANCE**

Contrary to Ohio Revised Code Section 5705.28 requiring the District to follow 5705.41(D)(1), the District did not issue purchase orders nor did the Treasurer certify any order or contract involving the expenditure of money, therefore, they did not encumber.

Also, Contrary to Ohio Revised Code Section 5705.28 requiring the District to follow Ohio Revised Code Section 5705.41(B) the District had expenditures that exceeded appropriations for 2007.

**8. SUBSEQUENT EVENTS/PENDING LITIGATION**

Management believes there are no pending claims or lawsuits.

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

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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 Keystone Water District  
Summit County  
8460 Tower Park Drive  
Twinsburg, Ohio 44087

The Board of Trustees:

We have audited the financial statements of the Twin Keystone Water District, Summit County, Ohio (the District) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 17, 2009, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribed 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 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting. The significant deficiencies are described as items 2008-TKWD-03 through 2008-TKWD-05.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described as 2008-TKWD-03 and 2008-TKWD-04 to be material weaknesses.

#### 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-TKWD-01 through 2008-TKWD-03.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We also noted other matters that we have reported to management of the District in a separate letter dated July 17, 2009.

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 17, 2009



**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
For the Years Ended December 31, 2008 & 2007**

**SCHEDULE OF FINDINGS**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-TKWD-01**

**Noncompliance Citation**

**Clerk's Certificate and Expenditures**

Ohio Revised Code Section 5705.28 requires the District to follow ORC 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 Treasurer attached. The 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.

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 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. If approval is not made within thirty days, there is no legal liability on the part of the District.

Amounts less than \$3,000 may be paid by the 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 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 predicable 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.

**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
For the Years Ended December 31, 2008 & 2007**

**SCHEDULE OF FINDINGS – (Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-TKWD-01 – (continued)**

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

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 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 5705.41(D) requires to authorize disbursements. The 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 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’s Response:**

Expenditures are budgeted so that the funds are available and appropriated. The District’s purchases are very minimal, therefore purchase orders were never used.

**FINDING NUMBER 2008-TKWD-02**

**Noncompliance Citation**

Ohio Revised Code Section 5705.28 requires the District to follow Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds. And Ohio Revised Code Section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them.

**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
For the Years Ended December 31, 2008 & 2007**

**SCHEDULE OF FINDINGS – (Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-TKWD-02 (Continued)**

The Twin Keystone Water District's Enterprise Fund expenditures exceeded appropriations for 2007 by \$59,635.

Since the Enterprise Fund was over appropriated at the fund level for 2007, the legal levels of control violations were not disclosed. The District had sufficient revenue to increase appropriations, but they did not amend appropriations sufficiently to cover all expenditures.

**Management's Response:**

Management's understanding from their CPA is that the 2007 budget was amended to reflect the exceeded appropriations.

**FINDING NUMBER 2008-TKWD-03**

**Noncompliance and 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.
  
- (B) 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.
  
  - (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 payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
For the Years Ended December 31, 2008 & 2007**

**SCHEDULE OF FINDINGS – (Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-TKWD-03 (continued)**

- (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:**

**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. We noted they do not utilize the following:**

- (1) Purchase orders are not issued for expenditures, and therefore there are no 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.**
  
- (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 Treasurer. The District prepared W-2’s for the Bookkeepers and 1099’s for the Board Members. The Bookkeeper maintained her payroll information by hand on a pad of paper listing her deduction for each pay period.**

TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
For the Years Ended December 31, 2008 & 2007

SCHEDULE OF FINDINGS – (Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-TKWD-03 (continued)

Recommendation

Purchase orders must be issued with the 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.

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 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 Treasurer with the amounts still available to be expended. This procedure will provide the Board of Trustees with valuable financial information.

Management’s Response:

We did not receive a response from the District related to the above issue.

**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
For the Years Ended December 31, 2008 & 2007**

**SCHEDULE OF FINDINGS – (Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-TKWD-04**

**Material Weakness**

The City of Cleveland Division of Water bills and collects charges for water usage. The City of Cleveland remits payment monthly minus their collection fee to the Twin Keystone Water District.

The District recorded their charges for services at the net amounts rather than the gross amounts. This caused Enterprise Fund receipts to be understated by \$16,610 and \$14,289 in 2008 and 2007, respectively. Further, the corresponding City of Cleveland Division of Water collection fees were not recorded in the same amounts causing disbursements to be understated.

Adjustments were made in the financial statements.

We recommend that the District properly post gross charges for services. Also, we recommend that the corresponding collection fees be posted.

**Management's Response:**

This has been the process by which it has been recorded in the past up to the present. This issue has never been raised in previous audits, therefore the District was not aware of this weakness.

**FINDING NUMBER 2008-TKWD-05**

**Significant Deficiency**

The District charges a 14% administrative fee to developers for engineering services related to the installation and connection of water lines. The funds are taken out of the District's escrow account and placed in the general checking account.

The District records in their books the gross amount of funds received from the developer in their escrow account. A 14% administrative fee is then charged to the developer. The District writes a check out of the escrow account and deposits the check in their general checking account. Also, the District records on their books the disbursement representing the 14% administrative fee from the escrow account and the corresponding receipt. As a result, revenues and disbursements were overstated by \$1,945 and \$4,289 in 2008 and 2007, respectively.

Adjustments were made in the financial statements to correct the overstatement of revenues and disbursements.

We recommend that the District only record one entry on the books to avoid "doubling-up" of revenues/expenses related to the 14% administrative fee.

**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
For the Years Ended December 31, 2008 & 2007**

**SCHEDULE OF FINDINGS – (Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-TKWD-05 (continued)**

**Management's Response:**

This has also been the process by which it has been recorded in the past and again, this issue was not raised. Now that the District has been informed of this recommendation we will do it's best to update and/or correct said weakness.

**TWIN KEYSTONE WATER DISTRICT  
SUMMIT COUNTY, OHIO  
For the Years Ended December 31, 2008 & 2007**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
06/05-TTW&S-001	Noncompliance with Section 5705.41 (D)(1), Ohio Revised Code	No	Not corrected; see Finding Number 2008-TKWD-01
06/05-TTW&S-002	Noncompliance with Sections 5705.41 (B) and 5705.40, Ohio Revised Code	No	Not corrected; see Finding Number 2008-TKWD-02
06/05-TTW&S-003	Material Weakness with Section 117-2-02 Ohio Administrative Code – Accounting and reporting records	No	Not corrected; see Finding Number 2008-TKWD-03





**Mary Taylor, CPA**  
Auditor of State

**TWIN KEYSTONE WATER 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  
SEPTEMBER 22, 2009**