



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

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Twin City Water and Sewer District
Tuscarawas County
1580 Boyd Street
Uhrichsville, OH 44683

To the Board of Trustees:

We have audited the accompanying financial statements of the Twin City Water and Sewer District, Tuscarawas County, Ohio, (the District) as of and for the year ended December 31, 2000. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District as of December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for the purpose of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 23, 2001

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Enterprise Funds
Operating Cash Receipts:	
Charges for Services	\$1,779,034
Guaranteed Deposits	27,140
	<u>1,806,174</u>
Total Operating Cash Receipts	<u>1,806,174</u>
Operating Cash Disbursements:	
Personal Services	700,905
Benefits	267,459
Utilities	162,342
Berm Repairs	21,308
Repair Pipe & Equipment	97,255
Supplies and Materials	146,948
Purchased Services	425,739
Guarantee Deposit Refunds	368,848
Capital Outlay	177,157
Other	15,648
	<u>2,383,609</u>
Total Operating Cash Disbursements	<u>2,383,609</u>
Operating (Loss)	<u>(577,435)</u>
Non-Operating Cash Receipts:	
Contributions from Subdivisions	141,550
Interest	170,013
Intergovernmental	344,434
Proceeds from Loans	2,828,000
	<u>3,483,997</u>
Total Non-Operating Cash Receipts	<u>3,483,997</u>
Non-Operating Cash Disbursements:	
Debt Retirement	363,322
Other	53,732
	<u>417,054</u>
Total Non-Operating Cash Disbursements	<u>417,054</u>
Excess of Cash Receipts Over Cash Disbursements	2,489,508
Fund Cash Balance, January 1	<u>1,684,575</u>
Fund Cash Balance, December 31	<u><u>\$4,174,083</u></u>
Rerserves for Encumbrances, December 31	<u><u>\$21,643</u></u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Twin City Water and Sewer District, Tuscarawas County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board. The purpose of the District is to locate and provide safe drinking water to users within the District as well as the collection, treatment and disposal of waste water for those customers.

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.

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

C. Cash and Investments

The District maintains cash in a checking account, savings account, and certificates of deposit which are valued at cost. The District's investments were limited to STAROhio.

D. Fund Accounting

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its funds in the Proprietary or Enterprise Fund type. These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing water service.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. 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. The County Budget Commission must also approve the annual appropriation measure. 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. The County Budget Commission must also approve estimated resources.

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 encumber all commitments required by Ohio law.

A summary of 2000 budgetary activity appears in Note 3.

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 in the financial statements.

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. 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, 2000 was as follows:

Demand deposits	\$3,989,921
Certificates of deposit	<u>51,648</u>
Total deposits	4,041,569
STAR Ohio	<u>132,514</u>
Total deposits and investments	<u><u>\$4,174,083</u></u>

A. Deposits: At December 31, 2000, \$3,030,165 of the District's deposits were not insured or collateralized, contrary to Ohio Rev. Code Section 135.18. The remaining deposits were insured by the Federal Depository Insurance Corporation and pledged collateral coverage.

B. Investments: STAR Ohio (an investment pool operated by the Ohio State Treasurer) is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2000 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$4,668,000	\$5,290,171	\$622,171

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriations	Budgetary Expenditures	Variance
Enterprise	\$4,734,118	\$2,822,306	\$1,911,812

During 2000, all District expenditures were not certified by the fiscal officer in accordance with Ohio Rev. Code Section 5705.41(D).

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

4. RETIREMENT SYSTEM

The District's full-time permanent employees belong to the Public Employees Retirement System of Ohio (PERS). PERS is a cost-sharing, multiple-employer retirement plan. This plan provides retirement benefits, including post retirement 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 2000, members of PERS contributed 8.5% of their wages to the PERS. The District contributed an amount equal to 10.84% of participants' gross salaries. The District has paid all contributions required through December 31, 2000.

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Farmers Home Administration Loans:		
Uhrichsville Dennison No. 91-14	\$1,788,000	5.00%
Uhrichsville Dennison No. 91-10	111,000	5.00%
Roanoke No. 91-09	561,477	5.00%
Roanoke No. 97-01	264,000	6.13%
Midvale No. 92-03	544,000	6.13%
Midvale No. 92-05	317,000	6.00%
Midvale No. 92-07	267,000	6.25%
Midvale No. 92-08	60,000	6.00%
Total	3,912,477	
Ohio Water Development Authority Loans:		
Loan No. PW-90	159,440	7.77%
Loan No. FW-86	43,107	6.61%
Total	202,547	
Ohio Public Works Commission Loans:		
Loan CN033	272,572	0%
Loan CN325	133,750	0%
Loan CN731	20,581	0%
Total	426,903	
Water Resource Revenue Notes	2,828,000	5.70%
Total Debt	\$7,369,927	

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

5. DEBT (Continued)

Debt relating to Farmers Home Administration Loans, Ohio Water Development Authority Loans and Ohio Public Works Commission Loans was incurred for utility construction projects. Property owned by the District and revenue earned by the District have been pledged to repay these debts.

Of the Farmers Home Administration Loans, the Midvale-Barnhill Sewer Improvement Project Nos. 92-07 and 92-08, is being reimbursed to the District by Tuscarawas County as set forth in an agreement with the County.

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

On June 1, 2000, the District issued short-term Water Resource Revenue Notes in the amount of \$2.828 million to finance improvements at the waste water treatment plant which were mandated by the Ohio EPA.

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

Year ending <u>December 31:</u>	FMHA <u>Loans</u>	OWDA <u>Loans</u>	OPWC <u>Loans</u>
2001	\$294,798	\$47,229	\$26,374
2002	295,415	47,229	26,374
2003	295,759	23,515	26,374
2004	294,831	23,515	26,374
2005	294,717	23,515	26,374
Subsequent	<u>5,754,031</u>	<u>117,576</u>	<u>295,033</u>
Total	<u>\$7,229,551</u>	<u>\$282,579</u>	<u>\$426,903</u>

6. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- General liability
- Public officials' liability
- Employers liability
- Employee benefits liability

The District also provides health insurance coverage to full-time employees through the City of Uhrichsville Health Benefit Plan administered by Medical Benefits Administrators, Inc.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

7. CONTINGENT LIABILITY

Amounts received from the grantor agencies are subject to audit and adjustments 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.

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

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
Direct:				
<u>U.S. Department of Agriculture</u>				
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	<u>0</u>	<u>\$698,795</u>
Total			<u>\$0</u>	<u>\$698,795</u>

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards

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

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Receipts and Expenditures of Federal Awards (Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.



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

Board of Trustees
Twin City Water and Sewer District
Tuscarawas County
1580 Boyd Street
Uhrichsville, Ohio 44683

To the Board of Trustees:

We have audited the accompanying financial statements of the Twin City Water and Sewer District, Tuscarawas County, Ohio, (the District) as of and for the year ended December 31, 2000, and have issued our report thereon dated May 23, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-21279-001 and 2000-21279-002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Trustees
Twin City Water and Sewer District
Tuscarawas County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

However, we noted certain 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 May 23, 2001.

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

Jim Petro
Auditor of State

May 23, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Twin City Water & Sewer District
Tuscarawas County
1580 Boyd Street
Uhrichsville, OH 44683

To the Board of Trustees:

Compliance

We have audited the compliance of Twin City Water & Sewer District, Tuscarawas County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2000.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

However, we noted another matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 23, 2001.

This report is intended for the information and use of the audit committee, management, the Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 23, 2001

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Water & Waste Disposal Systems for Rural Communities #10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**SCHEDULE OF FINDINGS
AS OF DECEMBER 31, 2000**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

MATERIAL NONCOMPLIANCE

Finding Number	2000-21279-001
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Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving expenditures of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the District's fiscal officer. Every contract made without such certificate shall be null and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two "exceptions" to the above requirements:

- a. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- b. If the amount involved is less than \$1,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

During 2000, all District expenditures were not certified by the fiscal officer prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The District should certify the availability of funds prior to incurring any obligation. This will help prevent over-spending. In addition, the District should inform all District employees of the requirements of Ohio Rev. Code Section 5705.41(D). As deemed appropriate, the District should also implement the use of "Then and Now Certificates" as alternate means of certifying funds.

Finding Number	2000-21279-002
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Ohio Rev. Code Section 135.18 requires the District's depository pledge to and deposit with the treasurer, as security for repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above such portion or amount of such moneys as is at such time insured by the Federal Deposit Insurance Corporation or by any other agency or instrumentality of the federal government, or the treasurer may require the institution to deposit with the clerk surety company bonds which, when executed, shall be for an amount equal to such excess amount.

At December 31, 2000, the Districts depository balances exceeded the FDIC and pledged collateral coverage limit by \$3,030,165, which represents roughly 73% of total reported fund balances, and were not insured or collateralized, contrary to the above Section. The District has since secured the additional security required for the District's deposits.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



STATE OF OHIO
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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
JULY 10, 2001**