



**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**TWINSBURG WATER AND SEWER DISTRICT
SUMMIT COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Twinsburg Township Water and Sewer District
Summit County
9833 Ravenna Road
Twinsburg, Ohio 44087

To the Board of Trustees:

We have audited the accompanying financial statements of Twinsburg Township Water and Sewer District, Summit County, Ohio, (the District) as of and for the years ended December 31, 2000 and 1999. 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 audits.

We conducted our audits 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 audits 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 audits provide 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 cash balances of the District as of December 31, 2000 and 1999, and its 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 10, 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 audits.

This report is intended solely for the information and use of management, 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 10, 2001

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

| | 2000 | 1999 |
|--------------------------------------|------------------|------------------|
| Operating Cash Receipts: | | |
| Charges for Services | \$9,195 | \$17,146 |
| Licenses, Permits and Fees | 1,700 | 450 |
| Interest | 4,446 | 4,309 |
| | 15,341 | 21,905 |
| Operating Cash Disbursements: | | |
| General Government | 3,566 | 3,995 |
| Other | 10,349 | 6,722 |
| Capital Outlay | 347 | |
| | 14,262 | 10,717 |
| Operating Income | 1,079 | 11,188 |
| Cash Balances, January 1 | 115,757 | 104,569 |
| Cash Balances, December 31 | \$116,836 | \$115,757 |

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

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 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 elected six-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. Receipts are submitted quarterly to the District from the City of Cleveland. The District also provides water and sewer line maintenance and repair to hydrants within Twinsburg Township.

The District's Board of Trustees 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. Deposits and Investments

Certificates of Deposit are valued at cost.

D. Budgetary Process

A recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Chapter 5705, Ohio Revised Code, applies to the District, regardless of whether the District levies property taxes. Beginning with fiscal period 2000, the District was required to adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.

The District's Board of Trustees did not adopt an operating budget, as required.

E. Property, Plant and Equipment

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 and 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

| | <u>2000</u> | <u>1999</u> |
|-------------------------|-------------------------|-------------------------|
| Demand deposits | \$82,785 | \$83,118 |
| Certificates of deposit | <u>34,051</u> | <u>32,639</u> |
| Total demand deposits | <u><u>\$116,836</u></u> | <u><u>\$115,757</u></u> |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. NONCOMPLIANCE

Contrary to Ohio Revised Code Section 5705, the District did not follow the budgetary requirements as outlined in the Attorney General Opinion No. 99-020.

Contrary to Ohio Revised Code Section 121.22 (J), the District did not establish a reasonable method to notify the public of all meetings of the Board of Trustees.

Contrary to Ohio Revised Code Section 149.43, supporting documentation for financial activity and official board meetings was not readily available during the examination.

4. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

5. SUBSEQUENT EVENTS

The District's Treasurer resigned her position effective April 1, 2001, due to moving out of the District's service area.



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

Twinsburg Township Water and Sewer District
Summit County
9833 Ravenna Road
Twinsburg, Ohio 44087

To the Board of Trustees:

We have audited the accompanying financial statements of the Twinsburg Township Water and Sewer District, Summit County, Ohio (the District) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 10, 2001. We conducted our audits 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 audits 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 2000-60977-001 through 2000-60977-003.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 10, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, 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. 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 judgement, 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. The reportable conditions are described in the accompanying Schedule of Findings as items 2000-60977-004 through 2000-60977-006.

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. 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 consider the reportable conditions described above to be 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 May 10, 2001.

This report is intended for the information and use of 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 10, 2001

**TWINSBURG TOWNSHIP WATER and SEWER DISTRICT
SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-60977-001

Noncompliance Citation

Auditor of State (AOS) Bulletin 99-014, dated August 11, 1999, indicates that water and sewer districts are taxing units pursuant to Ohio Rev. Code 5705.01(H). This conclusion was reached after the issuance of Ohio Attorney General Opinion 1999 Op. Att'y Gen. No. 99-020, which asserted that all taxing units, regardless of whether taxes are levied or bonds are issued, are subject to the requirements of Ohio Rev. Code 5705. The Bulletin indicated that the Auditor of State would begin auditing for compliance with budgetary requirements of Chapter 5705 for all Water and Sewer Districts beginning with audits for fiscal 2000.

The District did not comply with any Chapter 5705 requirements during 2000, contrary to this AOS Bulletin and the Attorney General Opinion.

Subsequently, the Ohio General Assembly adopted Substitute House Bill Number 262, which became effective June 8, 2000. This new law made changes to the law regarding the adoption of a tax budget by taxing units that do not levy taxes. Specifically, this bill modified Ohio Rev. Code Section 5705.28 and spelled out which budgetary requirements a water and sewer district that does not levy a tax must follow.

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 Ohio Rev. 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 auditor or the county budget commission.

Additionally, a water and sewer district that does not levy a tax must follow sections 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44, and 5705.45 of the Revised Code. Documents prepared in accordance with these sections are not required to be filed with the county auditor or county budget commission.

Lastly, the total appropriations from each fund of a water and sewer district 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.

District officials should review these compliance requirements and take steps to comply with them. Implementation of the above will help ensure that all budgetary compliance requirements are adhered to.

FINDING NUMBER 2000-60977-002

Noncompliance Citation

Ohio Rev. Code 121.22 states in part, every public body, by rule, shall establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings and the time, place, and purpose of all special meetings. The District failed to establish a reasonable method to notify the public of scheduled meetings.

We recommend the District establish a reasonable method to notify the public of all meetings of the Board of Trustees, such as advertising in a newspaper of general circulation.

FINDING NUMBER 2000-60977-003

Noncompliance Citation

Ohio Rev. Code Section 149.351 states in part, all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under section 149.33 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

Supporting documentation for financial activity and official board meetings was not readily available during the examination. Minute records for part of 2000 and all of 1999 were not available. 73% and 21% of disbursements did not have adequate supporting documentation (e.g. invoices or voucher packages) in 2000 and 1999, respectively. There were no revenue or expenditure ledgers available for either year.

In a favorable internal control environment, supporting documentation is available for each transaction made on behalf of the District. Every expenditure, by check or wire transfer, should be accompanied by a District approved purchase order and vendor invoice to ensure that it is a valid expense for a proper public purpose. Receipts should be maintained identifying the source of monies received and the purpose of the receipt. Official minutes of all board meetings should include supporting resolutions documenting the Board's intent. These documents should be maintained at the District office and be available for public inspection.

The District should develop and implement policies and procedures to ensure sufficient controls are in place to support all financial activity and to document all official boards meetings of the District.

FINDING NUMBER 2000-60977-004

Material Weakness

We noted several deficiencies during the review of the "street opening permits" as follows:

- Permits were not prenumbered.
- Permits did not always reflect the date the money was received, nor was it always possible to determine in what year the money was received.
- On three occasions there were two separate permits for the same address. It was not possible to determine if they represented one street opening event or two such events.
- Although there was at least \$300 in street opening permit revenue in 1999, the year end summary prepared by the accountant reflected \$0. The total street opening permit revenue for the entire audit period, per the year end summary, was \$1,571. The total amount received per the available permits themselves was \$1,500; however, the total amount deposited for permits was \$2,150. Therefore, all the permits were not made available for audit.
- The fee for street opening permits increased from \$50 to \$150 during 2000. There was no reference to the change in the District's minutes.
- There was a significant lapse between the date the permit was received and the date it was deposited.

As a result of the deficiencies noted above, the possibility exists that money received for street opening permits will not be completely and accurately recorded. The possibility also exists that revenue for licenses, permits and fees will not be properly reflected in the year end summaries.

FINDING NUMBER 2000-60977-004
(continued)

Material Weakness

We recommend the following:

- The District should purchase prenumbered permits for street opening revenue.
- The District should reexamine its procedures regarding the preparation of street opening permits to require that the exact date be noted on each permit.
- If more than one permit is prepared for the same address, this fact should be indicated clearly on the permit itself.
- All street opening revenue per year should be maintained and recorded and this amount forwarded to the year end summary.
- The District should establish the authorized permit fees in its minutes and maintain a copy of such in a public place.
- Permit revenue should be deposited to the bank promptly (usually within one week) after it has been received by the Treasurer.

Implementation of the above will help ensure that only allowable and authorized expenditures are made by the District and that sufficient controls are in place to support a favorable control environment.

FINDING NUMBER 2000-60977-005

Material Weakness

We noted several deficiencies during the review of the District's expenditures as follows:

- The total of all checks issued in 2000 and 1999 did not correspond to total expenditures per the year end summaries prepared by the District's accountant. The summaries reflected additional expenditures of \$91 and \$177 for 2000 and 1999, respectively.
- In fiscal years 2000 and 1999, 73% and 21% of expenditures, respectively, were not supported by documentation such as an invoice or attendance records for board meetings.
- The invoices that were available were not attached to a voucher packet.
- Sales tax was paid on three occasions for purchases, although the District is a tax exempt organization.

As a result of the deficiencies noted above, the possibility exists that expenditures could be made without the proper authorization or in excess of the amount required for payment. The possibility also exists that invoices or other supporting documentation will be misplaced or lost.

We recommend the following:

- The preparer of year end summary reports should agree the total expenditures per the checks and check stubs to the year end summary.
- Appropriate documentation (e.g. invoices and board meeting attendance records) should be available to support all expenditures.
- Supporting documentation should be filed together (e.g. in voucher packets) in numerical and chronological order.
- The Treasurer should review all expenditures closely to verify that sales tax has not been paid.

Implementation of the above will help verify that only allowable and authorized expenditures are made by the District and that sufficient controls are in place to support a favorable control environment.

FINDING NUMBER 2000-60977-006

Material Weakness

We noted deficiencies during the review of the District's bank reconciliation as follows:

- The Water and Sewer District maintained six different accounts with four separate banks. One was a general checking account; the others were investment accounts.
- Five of the six bank accounts did not reflect the current Treasurer as the authorized signer on the account. The name reflected was that of the former Treasurer.
- The bank documentation from two of the accounts (bank statements, renewal notices) could not be located in the District's files. The current Treasurer, former Treasurer and the District's accountant were not able to find this documentation.
- Bank to book reconciliations were not performed monthly.

As a result of the deficiencies noted above, the possibility exists that the Treasurer would not be aware of all of the District's accounts. In addition, having six accounts makes the reconciliation procedure more time consuming and burdensome.

We recommend the following:

- District officials should consider consolidating their investments into one account.
- The current Treasurer should take immediate steps to establish his name on each bank account managed by the District.
- District officials should contact the First Merit Bank and determine where the current documentation for the two certificates of deposit is being mailed, and should instruct bank officials to mail these documents to the appropriate address.
- The current Treasurer should perform monthly bank to book reconciliations.

Implementation of the above will help to confirm that all accounts are available, properly and accurately reconciled on a monthly basis, and that sufficient controls are in place to support a favorable control environment.

**TWINSBURG TOWNSHIP WATER AND SEWER DISTRICT
SUMMIT COUNTY
FISCAL YEAR END**

SCHEDULE OF PRIOR AUDIT FINDINGS

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected?</u> | <u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</u> |
|-----------------------|--|-------------------------|--|
| 1998-60977-001 | Supporting Documentation was missing or incomplete | No | This finding was not corrected and a similar finding has been issued for the current audit. |
| 1998-60977-002 | The District did not reconcile its cash accounts on a monthly basis | No | This finding was not corrected and a similar finding has been issued for the current audit. |



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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
JULY 17, 2001**