

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

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



Mary Taylor, CPA

Auditor of State

Board of Trustees
Twin City Water and Sewer District
308 Grant Street
Dennison, Ohio 44621

We have reviewed the *Report of Independent Accountants* of the Twin City Water and Sewer District, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 5, 2008

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**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY
For the Years Ending December 31, 2007 and 2006**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

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 years ended December 31, 2007 and 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since the District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Twin City Water and Sewer District, Tuscarawas County, as of December 31, 2007 and 2006, 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, 2007 and 2006. 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 June 6, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

June 6, 2008

**TWIN CITY WATER AND SEWER DISTRICT
TUSCAWARAS COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ENTERPRISE FUNDS
For the Years Ended December 31, 2007 and 2006**

	ENTERPRISE FUNDS	
	2007	2006
Cash Receipts:		
Charges for Services	\$ 2,855,688	\$ 2,561,138
Guarantee Deposits	14,232	32,600
Total Cash Receipts	\$ 2,869,920	\$ 2,593,738
Cash Disbursements:		
Personal Services	\$ 813,836	\$ 784,600
Benefits	629,554	636,870
Contractual Services	60,784	1,108,403
Utilities	258,480	278,509
Berm Repairs	35,433	23,774
Equipment Repairs	83,176	129,759
Supplies and Materials	245,258	186,841
Capital Outlay	273,130	247,649
Total Cash Disbursements	\$ 2,399,651	\$ 3,396,405
Total Cash Receipts Over/(Under) Cash Disbursements	\$ 470,269	\$ (802,667)
Non-Operating Cash Receipts:		
Proceeds of Loans	166,791	1,163,319
Intergovernmental Revenue	24,428	91,800
Interest	42,048	46,736
Insurance Reimbursement	658,571	298,277
Other Non-Operating Receipts	47,711	17,243
Total Non-Operating Cash Receipts	\$ 939,549	\$ 1,617,375
Non-Operating Cash Disbursements:		
Debt Service		
Principal	\$ 209,445	\$ 196,177
Interest	324,778	317,356
Insurance Claims	597,876	293,941
Other Non-Operating Cash Disbursements	27,628	89,768
Total Non-Operating Cash Disbursements	\$ 1,159,727	\$ 897,242
Net Receipts Over/(Under) Disbursements	\$ 250,091	\$ (82,534)
Fund Cash Balance, January 1,	\$ 1,225,014	\$ 1,307,548
Fund Cash Balance, December 31,	\$ 1,475,105	\$ 1,225,014
Reserve for Encumbrances, December 31,	\$ 67,309	\$ 11,394

See accompanying Notes to the Financial Statements.

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Twin City Water & Sewer District, Tuscarawas County, (the District) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board of Trustees. Two Board members each are appointed by the City of Uhrichsville and the Village of Dennison. The remaining Board member is appointed at-large by the Board of Trustees. The District provides water and sewer services to residents of the District.

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

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

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

C. INVESTMENTS

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and the sale of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. FUND ACCOUNTING

The District uses fund accounting to segregate cash and investments that are restricted to use. The District classifies its funds into the Enterprise Fund Type.

Enterprise Funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods and services will be recovered through user charges. The District had the following significant Enterprise Funds:

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -(Continued)

D. FUND ACCOUNTING (continued)

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

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

Sewer Capital Improvement Fund – This fund receives charges for services that are allocated by the Board of Trustees for the improvement of sewer capital improvements.

Sewer Construction Debt Service Fund – This fund receives charges for services that are allocated by the Board of Trustees for the retirement of debt associated with the sewer construction projects.

E. BUDGETARY PROCESS

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

- **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

- **Estimated Resources**

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

- **Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding are carried over, and need not be re-appropriated.

A summary of budgetary activity appears in Note 3.

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. PROPERTY, PLANT, AND EQUIPMENT

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

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

		<u>2007</u>		<u>2006</u>
Demand Deposits	\$	1,395,347	\$	1,149,173
STAR Ohio		79,758		75,841
Total Deposits and Investments	\$	<u>1,475,105</u>	\$	<u>1,225,014</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by a Bank Deposit Guaranty Bond.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2007 and 2006 follows:

<u>Fund Type</u>		<u>2007</u>		<u>2006</u>
Budgeted Receipts	\$	2,880,427	\$	4,179,704
Actual Receipts		3,809,469		4,211,113
Variance	\$	<u>929,042</u>	\$	<u>31,409</u>

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

3. BUDGETARY ACTIVITY - (Continued)

<u>Fund Type</u>	<u>2007</u>	<u>2006</u>
Appropriation Authority	\$ 3,933,088	\$ 4,819,359
Budgetary Expenditures	3,626,687	4,305,041
Variance	\$ 306,401	\$ 514,318

4. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA FMHA Loans		
Uhrichsville Dennison No. 91-10	\$ 1,483,000	5.00%
Uhrichsville Dennison No. 91-14	91,000	5.00%
Roanoke No. 91-09	384,477	5.00%
Roanoke No. 97-01	230,000	6.13%
Midvale No. 92-03	474,000	6.13%
Midvale No. 92-05	275,000	6.13%
Midvale No. 92-07	238,000	6.25%
Midvale No. 92-08	53,000	6.00%
Total	<u>3,228,477</u>	
Ohio Water Development Authority Loans		
Loan No. 1951	69,571	7.77%
Loan No. 4462	1,417,295	1.00%
Total	<u>1,486,866</u>	
Ohio Public Works Commission Loans:		
Loan CN033	164,977	0.00%
Loan CN325	53,500	0.00%
Loan CN731	11,286	0.00%
Total	<u>229,763</u>	
USDA Sewer System Revenue Bonds	2,651,000	4.50%
Total	<u>\$ 7,596,106</u>	

Debt relating to the United States Department of Agriculture Farmers Home Administration (USDA FMHA) loans, Ohio Water Development Authority (OWDA) loans and Ohio Public Works Commission (OPWC) loans was incurred for utility construction projects. Property owned by the District and revenue earned by the District has been pledged to repay these debts.

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

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

4. DEBT (continued)

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

The District issued USDA Sewer System Revenue Bonds in September 2001 in the amount of \$2,828,000 to finance improvements at the wastewater treatment plant, which were mandated by the Ohio EPA.

The District received \$1,529,660 from the Ohio Water Development Authority to reline the truck sewer line in 2006. The District paid off \$145,351 loan toward the planning of this project in 2006. No amortization is included since OWDA has not yet finalized payment schedule.

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

	USDA Sewer System Revenue Bonds	USDA FMHA Loans	OWDA Loans	OPWC Loans
Year ending December 31:				
2008	\$ 154,295	\$ 294,599	\$ 23,515	\$ 26,374
2009	153,720	295,233	23,515	26,374
2010	153,100	293,531	23,515	26,374
2011	154,435	293,580	11,758	26,374
2012	153,635	295,258		26,374
Subsequent	4,456,445	3,706,837		97,893
Total	<u>\$ 5,225,630</u>	<u>\$ 5,179,038</u>	<u>\$ 82,303</u>	<u>\$ 229,763</u>

5. LEASES

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

Years	Amount
2008	\$ 27,621
2009	27,621
2010	27,621
2011	27,621
2012	27,621
Total	<u>\$ 138,105</u>

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

6. RETIREMENT SYSTEM

The District's full time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 9% in 2006 and 9.5% in 2007 of their gross salaries. The District contributed an amount equal to 13.7% and 13.85% of participants' gross salaries, respectively. The District has paid all contributions required through December 31, 2007.

7. RISK MANAGEMENT

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

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

Casualty Coverage

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

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

Property Coverage

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

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

7. RISK MANAGEMENT – (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined member's total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate loss limit for 2006 and 2005 were \$1,901,127 and \$1,712,113, respectively.

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

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

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 30,997,868	\$ 30,547,049
Liabilities	(15,875,741)	(16,989,918)
Retained Earnings	<u>\$ 15,122,127</u>	<u>\$ 13,557,131</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 5,125,326	\$ 3,652,970
Liabilities	(863,163)	(544,771)
Retained Earnings	<u>\$ 4,262,163</u>	<u>\$ 3,108,199</u>

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

7. RISK MANAGEMENT – (Continued)

The casualty coverage assets and retained earnings above include approximately \$14.4 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006. PEP will collect these amounts in the future annual premium billings when PEP's related liabilities are due for payment.

Self Insurance

The District is self insured for employee health insurance. The employee health insurance costs are recovered from charges to certain funds based on a cost per employee determined by Medical Benefits Administrators, Inc., their third party self insurance administrator.

Settled Claims have not been exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Trustees:

We have audited the financial statements of the Twin City Water & Sewer District, Tuscarawas County, Ohio (the "District") as of and for the years ended December 31, 2007 & 2006, and have issued our report thereon dated June 6, 2008, wherein we noted the District followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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 discussed below, we have identified certain deficiencies in internal control over financial reporting that we consider 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 its applicable accounting basis 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 deficiency described in the accompanying schedule of findings, item 2007-01 to be a significant deficiency in internal control over financial reporting.

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 the 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 the 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 deficiency described above to be a material weakness.

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, grants 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 several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-01 and 2007-02.

We also noted certain matters that we have reported to management of the District in a separate letter dated June 6, 2008.

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.

Charles E. Harris and Associates, Inc.

June 6, 2008

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-01

Noncompliance Citation and Material Weakness

Certification of Expenditures

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

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

1. **“Then and Now” Certificate** – If the fiscal officer can certify that both at the time the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts of less that \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the District.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution 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 predicible 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 CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-01
(Continued)**

The District did not properly certify the availability of funds. 78% of 60 non-payroll expenditures tested for the audit period were noted that purchase orders were dated after the invoice date. Failure to certify the availability of funds and encumber appropriations before expending could result in overspending and negative cash balances.

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

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

FINDING NUMBER 2007-02

Noncompliance Citation

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

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

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

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

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

TWIN CITY WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
For the Years Ended December 31, 2007 and 2006

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-01	Ohio Revised Code section 5705.41(D) requires the District's fiscal officer to certify the availability of funds prior to any obligation. During 2005, the District did not certify the availability of funds prior to commitments being made.	No	Not corrected, reissued as Finding Number 2007-01.
2005-002	Ohio Revised Code section 9.833 Requires individual, self-insured governments or joint self-insured health-care programs to calculate (i.e., reserve) amounts required to cover health care benefit liabilities.	No	Not corrected, reissued as Finding Number 2007-02.
2005-003	Ohio Revised Code section 5705.28 (B)(2) requires appropriating funds before expending money.	Yes	Corrected, expenditures have been appropriated before spending.



Mary Taylor, CPA
Auditor of State

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
AUGUST 19, 2008**