



Dave Yost • Auditor of State



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - For the Years Ended December 31, 2015 and 2014 .....	3
Notes to the Financial Statement .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings .....	16

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statement and related notes of the Twin City Water and Sewer District, Tuscarawas County, Ohio (the District), as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting a financial statement free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statement, the District prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined cash balances of the Twin City Water and Sewer District, Tuscarawas County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 30, 2016

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$3,597,171	\$3,681,340
Guarantee Deposits	5,700	4,900
	<u>3,602,871</u>	<u>3,686,240</u>
<i>Total Operating Cash Receipts</i>		
<b>Operating Cash Disbursements:</b>		
Personal Services	834,083	858,181
Benefits	474,307	477,477
Berm Repairs	35,373	55,211
Utilities	367,166	343,075
Equipment Repairs	59,746	51,876
Supplies and Materials	203,890	223,779
Capital Outlay	1,885,178	1,595,036
Guarantee Deposits	5,147	5,557
Purchased Services	165,323	282,626
	<u>4,030,213</u>	<u>3,892,818</u>
<i>Total Operating Cash Disbursements</i>		
	<u>(427,342)</u>	<u>(206,578)</u>
<i>Operating Income/(Loss)</i>		
<b>Non-Operating Cash Receipts:</b>		
Intergovernmental Revenues	475,383	25,262
Proceeds of Loans	1,258,861	1,572,425
Interest	3,954	2,428
Other Non-Operating Revenues	312,488	277,934
	<u>2,050,686</u>	<u>1,878,049</u>
<i>Total Non-Operating Cash Receipts</i>		
<b>Non-Operating Cash Disbursements:</b>		
Debt Service	1,213,900	876,004
Other Non-Operating Cash Disbursements	327,911	269,097
	<u>1,541,811</u>	<u>1,145,101</u>
<i>Total Non-Operating Cash Disbursements</i>		
	<u>81,533</u>	<u>526,370</u>
<i>Net Receipts Over/(Under) Disbursements</i>		
Cash Balances, January 1	<u>3,809,333</u>	<u>3,282,963</u>
	<u>\$3,890,866</u>	<u>\$3,809,333</u>
<i>Cash Balances, December 31</i>		

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

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges for the Twin City Water and Sewer District, Tuscarawas County (the District), as a body corporate and politic. 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 participates in the Public Entities Pool of Ohio, a public entity risk pool. Note 6 to the financial statement provides additional information for this entity. This organization is:

Public Entity Risk Pool:

A risk-sharing pool that provides property and casualty coverage for its members and assumes the risk of loss up to the limits of the District's policy.

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

**B. Accounting Basis**

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Deposits and Investments**

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale 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 as to use. The District classifies its funds into the following types:

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Fund Accounting (Continued)**

**Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The District had the following significant Enterprise Funds:

Ohio Environmental Protection Agency 6<sup>th</sup> Street Lift Station – This fund received loan proceeds and intergovernmental revenue from the Ohio Environmental Protection Agency to finance a new Lift Station.

Ohio Environmental Protection Agency Transmission Line – This fund receives loan proceeds and intergovernmental revenue from the Ohio Environmental Protection Agency to finance a new Transmission Main Line.

Ohio Public Works Commission Fuhr Street (SR800) Waterline Looping Project-Phase I Project – The District received a grant from OPWC to replace an existing 6” waterline beginning at the intersection of Second and Fuhr Street and continuing East on Fuhr Street with a new 10” waterline and tying into an existing 4” waterline at the intersection of Shadyside Lane and SR 800.

**E. Budgetary Process**

The Ohio Revised Code requires the Board to budget annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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). 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.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

The District records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statement does not report these items as assets.

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payment for unused leave. The financial statement does not include a liability for unpaid leave.

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The District may invest in certificates of deposits, notes, bonds or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

The carrying amount of deposits and investments at December 31 was as follows:

	2015	2014
Demand deposits	\$1,783,242	\$1,682,595
STAR Ohio	1,584,447	1,582,766
Cash with Fiscal Agent	523,177	543,972
Total deposits and investments	\$3,890,866	\$3,809,333

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the District.

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

**Cash with Fiscal Agent:** The District had \$523,177 and \$543,972 in cash held by the fiscal agent at December 31, 2015 and 2014, respectively, which cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants (see Note 6 for additional information on Medical Benefits Administrators, Inc., third party administrator).

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$7,420,762	\$5,653,557	(\$1,767,205)

2015 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation	Budgetary	
Authority	Expenditures	Variance
\$6,866,819	\$5,742,124	\$1,124,695

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2014 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$5,792,095	\$5,564,289	(\$227,806)

2014 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$6,404,480	\$5,156,194	\$1,248,286

**4. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
<b>USDA FMHA Loans</b>		
Uhrichsville Dennison No. 91-10	\$980,000	5%
Uhrichsville Dennison No. 91-14	25,500	5%
Roanoke No. 97-01	169,000	6.125%
Midvale No. 92-03	348,000	6.125%
Midvale No. 92-05	201,000	6%
Midvale No. 92-07	185,000	6.25%
Midvale No. 92-08	41,000	6%
<b>Total</b>	1,949,500	
<b>Ohio Water Development Authority Loans</b>		
Loan No. 4462	916,475	1%
Loan No. 5408	146,185	1%
Loan No. 6618	1,713,870	1%
Loan No. 6215	3,959,173	0%
Loan No. 7030	628,001	1.57%
<b>Total</b>	7,363,704	
<b>Ohio Public Works Commission Loans</b>		
Loan CN31P	266,712	0%
<b>Total</b>	266,712	
<b>USDA Sewer System Revenue Bonds</b>		
	2,328,000	4.5%
<b>Total</b>	2,328,000	
<b>Grand Total</b>	\$11,907,916	

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**4. DEBT (Continued)**

Debt relating to the United States Department of Agriculture Farmers Home Administration (USDA FMHA) loans, Ohio Environmental Protection Agency loans and Ohio Public Works Commission (OPWC) loans were 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 Loan Nos. 92-07 and 92-08, are being reimbursed to the District by Tuscarawas County, as set forth in an agreement with the County.

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 was approved for a \$1,529,660 loan from the Ohio Environmental Protection Agency to reline the trunk sewer line in 2006. This loan was approved as a 20 year, 1% interest loan, with bi-annual payments of 42,281.

The District also received \$383,411, loan (#5408) from the Ohio Environmental Protection Agency for a rotary fan sludge press project in 2010. The loan is being repaid at 1% interest through bi-annual payments of \$5,260, with the final payment scheduled for 2030.

The District was approved for a \$4,244,156, loan (#6215) from the Ohio Environmental Protection Agency, through OWDA, to construct a new well water treatment plant in 2012. The loan is to be repaid over 30 years at 0% interest, using water service charges.

The District was awarded a loan (#CN31P) in 2012 in the amount of \$299,000 from the Ohio Public Works Commission for the installation of an ultraviolet disinfection system. Revenue earned by the District has been pledged to repay this debt over 20 years, at 0% interest.

In 2013, the District was approved for a loan (#6618) in the amount of \$1,867,874 from the Ohio Environmental Protection Agency to replace equipment of the 6<sup>th</sup> Street lift station to prevent sewage overflows during wet-weather events. The loan is to be repaid over 20 years, at an interest rate of 1%, using wastewater service charges. At December 31, 2015, the project was not yet complete. An amortization schedule has not yet been determined for this obligation. Loan proceeds received during 2015 totaled \$441,168.

In 2015, the District was approved for a loan, (#7030) in the amount of \$1,237,430 from the Ohio Environmental Protection Agency for the installation of a transmission main line between the new well water treatment plant and storage tank. The loan is to be repaid over 30 years, at an interest rate of 1.57%, using water service charges. As of December 31, 2015, the project was not yet complete. An amortization schedule has not yet been determined for this obligation. Loan proceeds received during 2015 totaled \$891,235.

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

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**4. DEBT (Continued)**

Year ending December 31:	USDA Sewer System Revenue	USDA FMHA	OWDA Loans	OPWC Loans
	Bonds	Loans		
2016	\$153,760	\$246,598	\$236,481	\$14,417
2017	153,555	246,147	236,481	14,417
2018	154,260	245,314	236,481	14,417
2019	153,830	244,106	236,481	14,417
2020	153,310	246,516	236,481	14,417
2021-2025	768,790	1,219,468	1,182,403	72,084
2026-2030	767,620	270,084	886,435	72,084
2031-2035	768,380		706,995	57,667
2036-2040	768,805		706,995	
2041-2043	153,615		424,197	
Total	<u>\$3,995,925</u>	<u>\$2,718,233</u>	<u>\$5,089,430</u>	<u>\$273,920</u>

**5. 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. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2015.

**6. 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. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the latest information available):

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the District's share of these unpaid claims collectible in future years is approximately \$38,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$55,500	\$60,145

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Self Insurance**

The District is also self-insured for employee health insurance. The District pays a premium, determined annually, by Medical Benefits Administrators, Inc., their third party self insurance administrator. The Self Insurance Fund pays covered claims to service providers, and any remaining funds are held in a Money Market Account by Medical Benefits Administrators, Inc. as a reserve to be used for future claims.

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the cash balances, receipts, and disbursements of the Twin City Water and Sewer District, Tuscarawas County, Ohio (the District), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statement and have issued our report thereon dated September 30, 2016 wherein we noted the District followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statement, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2015-001 to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***District's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 30, 2016

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2015-001**

**Material Weakness**

The District should maintain an accounting system and accounting records sufficient to enable the District 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.

During our review of the financial statement for the year ending December 31, 2015, we noted the following misstatements for which the financial statements have been adjusted:

- Ohio Water Development Authority (OWDA) principal forgiveness payments in the amount of \$263,233, along with the related debt disbursements were not posted by the District.
- ARC Grant revenue from OWDA in the amount of \$179,527 was improperly recorded as Loan Proceeds in the OWDA Transmission Fund in 2015 instead of Intergovernmental Revenue.

Sound financial reporting is the responsibility of the District's Treasurer and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

Failure to properly report financial activity could result in material misstatements occurring and remaining undetected and fail to provide management with an accurate picture of the District's financial position and operations. The District should take the necessary steps to ensure that all revenues and expenditures of the District are properly presented in the District's financial statements.

These reclassifications and adjustments, which were agreed to by management, have been made to the District's financial statement.

**Official's Response:**

1. The District will correctly post any principal forgiveness payments along with related debt disbursements for future projects.
2. The District will correctly post any future ARC grant proceeds as Intergovernmental Revenue and not as loan proceeds.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-001	Financial Reporting – material reclassifications and adjustments	Partially Corrected	Repeated as Finding 2015-001.
2013-002	Ohio Rev. Code §§ 2921.42(A)(4), 2921.42 (C), and 102.03 (D) – The District entered into a contract with a public official who did not abstain from voting to approve his own contract.	Corrective Action Taken	The District entered into a contract with the public official in 2014, but not in 2015. Corrective action was taken.
2013-003	Ohio Rev. Code § 5705.41 (D) – 85% of expenditures tested were not properly certified by the District	Partially Corrected	Not repeated in Schedule of Findings. Noncompliance identified was not considered significant.
2013-004	29 CFR Part 5.5(a)(3)(ii), 29 CFR Part 5.6(a)(2), 40 USC §§ 3141-3144, 3146, and 3147 - The District did not maintain all certified payrolls obtained from the various contractors and failed to implement internal control procedures over the Davis-Bacon Act requirements.	Fully Corrected	



# Dave Yost • 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  
OCTOBER 25, 2016**