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**TWIN-KEYSTONE WATER DISTRICT  
SUMMIT COUNTY  
Regular Audit  
For the Years Ended December 31, 2016 and 2015**

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# Dave Yost • Auditor of State

Board of Trustees  
Twin-Keystone Water District  
1790 Enterprise Parkway  
Twinsburg, Ohio 44087

We have reviewed the *Independent Auditor's Report* of the Twin-Keystone Water District, Summit County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2015 through December 31, 2016. 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.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 14, 2017

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**TWIN-KEYSTONE WATER DISTRICT  
SUMMIT COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

May 17, 2017

Twin-Keystone Water District  
Summit County  
1790 Enterprise Parkway  
Twinsburg, Ohio 44087

To the Board of Trustees:

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

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of the **Twin-Keystone Water District**, Summit County, (the District) as of and for the years ended December 31, 2016 and 2015.

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

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

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

Our responsibility is to opine on these financial statements 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 statements are 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 statements 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.

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

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 statements 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 these statements 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 Section 117.38 and Ohio Administrative Code Section 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 statements referred to above do 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, 2016 and 2015, or changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Twin-Keystone Water District, Summit County as of December 31, 2016 and 2015, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2017 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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**TWIN-KEYSTONE WATER DISTRICT  
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types
	Enterprise (Capital and Operating)
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 149,185
Licenses, Permits and Fees	300
<i>Total Operating Cash Receipts</i>	149,485
<b>Operating Cash Disbursements</b>	
Compensation of Board Members	840
Accounting and Legal Services	2,363
Engineering Services	6,000
Other - Professional & Technical Services	18,342
Advertising	22
Other - Insurance and Bonding	7,295
<i>Total Operating Cash Disbursements</i>	34,862
<i>Operating Income</i>	114,623
<b>Non-Operating Cash Receipts (Disbursements)</b>	
Debt Service	(88,583)
Other Financing Uses	(23,206)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	(111,789)
<i>Net Change in Fund Cash Balances</i>	2,834
<i>Fund Cash Balances, January 1</i>	184,916
<i>Fund Cash Balances, December 31</i>	\$ 187,750

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

**TWIN-KEYSTONE WATER DISTRICT  
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	Enterprise (Capital and Operating)	Agency (Escrow)	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 129,105	\$ -	\$ 129,105
Licenses, Permits and Fees	7,827	-	7,827
<i>Total Operating Cash Receipts</i>	<u>136,932</u>	<u>-</u>	<u>136,932</u>
<b>Operating Cash Disbursements</b>			
Compensation of Board Members	1,800	-	1,800
Accounting and Legal Services	2,500	-	2,500
Auditing Services	3,655	-	3,655
Engineering Services	6,000	-	6,000
Other - Professional & Technical Services	18,418	-	18,418
Advertising	22	-	22
Other - Insurance and Bonding	7,179	-	7,179
<i>Total Operating Cash Disbursements</i>	<u>39,574</u>	<u>-</u>	<u>39,574</u>
<i>Operating Income</i>	97,358	-	97,358
<b>Non-Operating Cash Receipts (Disbursements)</b>			
Deposits	-	6,923	6,923
Engineering Services	-	(3,047)	(3,047)
Refunds	-	(3,876)	(3,876)
Debt Service	(88,583)	-	(88,583)
Other Financing Uses	(23,430)	-	(23,430)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>(112,013)</u>	<u>-</u>	<u>(112,013)</u>
<i>Net Change in Fund Cash Balances</i>	(14,655)	-	(14,655)
<i>Fund Cash Balances, January 1</i>	<u>199,571</u>	<u>-</u>	<u>199,571</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 184,916</u>	<u>\$ -</u>	<u>\$ 184,916</u>

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

**TWIN-KEYSTONE WATER DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**Note 1 - Reporting Entity**

The Twin-Keystone Water District, Summit County (the "District") is a body politic and corporate 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 was established in 1966 per Chapter 6119 of the Ohio Revised Code as a regional water and sewer district, per a petition submitted by the Twinsburg Township Board of Trustees. The District is governed by a series of Summit County Common Pleas Court Orders issued in 1966, 1967, 1968, 1970, 1979, 2006, and 2012. The District is directed by a Board of Trustees that, per the 2012 District Court Order, transitioned from a publicly-elected, seven-member Board of Trustees to an appointed five-member Board of Trustees with two appointed alternates. The District Board's composition transition began on January 1, 2014 and ended on January 1, 2016. The District's primary purpose is to provide a public water supply to the District. The District owns and maintains water lines throughout the District and currently contracts with the City of Cleveland to supply the water that flows through those lines. The District first contracted with the City of Cleveland in 1968, and then entered into a new contract with Cleveland in 1982. The District's Board of Trustees believes these financial statements present all activities of the District for which the District is responsible.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The District's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees 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).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The District 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

**TWIN-KEYSTONE WATER DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(CONTINUED)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

A summary of 2016 and 2015 budgetary activity appears in Note 3.

**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 District had no investments as of December 31, 2016 or 2015.

**Capital Assets**

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

**Note 3 - Budgetary Activity**

Budgetary activity for the years ended December 31, 2015 and 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise (Capital and Operating)	\$ 152,500	\$ 149,485	\$ (3,015)
Agency (Escrow)	20,000	-	(20,000)
Total	\$ 172,500	\$ 149,485	\$ (23,015)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise (Capital and Operating)	\$ 151,333	\$ 146,651	\$ 4,682
Agency (Escrow)	20,000	-	20,000
Total	\$ 171,333	\$ 146,651	\$ 24,682

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise (Capital and Operating)	\$ 110,000	\$ 136,932	\$ 26,932
Agency (Escrow)	20,000	6,923	(13,077)
Total	\$ 130,000	\$ 143,855	\$ 13,855

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise (Capital and Operating)	\$159,583	\$151,587	\$7,996
Agency (Escrow)	20,000	6,923	13,077
Total	\$179,583	\$158,510	\$21,073

**TWIN-KEYSTONE WATER DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(CONTINUED)**

**Note 4 – Deposits**

The District maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2016 and 2015 were as follows:

	2016	2015
Demand Deposits	\$ 187,750	\$ 184,916
Total Deposits	\$ 187,750	\$ 184,916

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation.

**Note 5 – Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, destruction of assets, errors and omissions, injuries to persons, and natural disasters. During the period covered by this audit, the District was covered by comprehensive property and liability insurance. In addition, during the period covered by this audit, the District bonded the District Treasurer and District Administrator.

**Note 6 – Debt**

The District entered into design and construction loan agreements with OWDA pertaining to the Marwell/Twinsburg Road Water Main. The design loan was authorized on May 29, 2003 and in 2004 was rolled into the construction loan. The construction loan, with a 20-year term and an interest rate of 3.98 percent, was authorized on June 24, 2004, with an initial combined balance outstanding of \$1,213,741 and first and last payment due on July 1, 2005 and January 1, 2025, respectively.

	Balance Outstanding		Balance Outstanding
Debt	1/1/2016	Additions	Deletions 12/31/2016
Marwell/Twinsburg Road Water Main	\$ 664,603	\$ -	\$ 62,750 \$ 601,853

	Balance Outstanding		Balance Outstanding
Debt	1/1/2015	Additions	Deletions 12/31/2015
Marwell/Twinsburg Road Water Main	\$ 724,928	\$ -	\$ 60,325 \$ 664,603

**TWIN-KEYSTONE WATER DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(CONTINUED)**

**Note 6 – Debt (Continued)**

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

Year-Ending December 31:	<u>OWDA Loan</u>
2017	\$ 88,583
2018	88,583
2019	88,583
2020	88,583
2021	88,583
2022-2024	<u>265,748</u>
Total	<u><u>\$ 708,663</u></u>

**Note 7 – Contingent Liabilities**

Management believes that there are no pending claims or lawsuits.



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

May 17, 2017

Twin-Keystone Water District  
Summit County  
1790 Enterprise Parkway  
Twinsburg, OH 44087

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 statements of the cash balances, receipts and disbursements by fund type of the **Twin-Keystone Water District**, Summit County, (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated May 17, 2017, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 opinion on the financial statements, 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 statements. 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are 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*.

We noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 17, 2017.

***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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio





# Dave Yost • Auditor of State

**TWIN KEYSTONE WATER DISTRICT**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 24, 2017**