



Dave Yost • Auditor of State

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

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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 statements and related notes of Twin City Water and Sewer District, Tuscarawas County, (the District) as of and for the year ended December 31, 2012.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair 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 opinion.

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

As described in Note 1 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly in all material respects, the combined cash balances of the Twin City Water and Sewer District, Tuscarawas County as of December 31, 2012 and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole. The Federal Awards Receipts and Expenditure Schedule presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This Schedule was subjected to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2013, 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
April 26, 2013

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
CASH BALANCES - FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>
Operating Cash Receipts:	
Charges for Services	\$3,274,067
Guarantee Deposits	3,700
	<hr/>
Total Operating Cash Receipts	<u>3,277,767</u>
Operating Cash Disbursements:	
Personal Services	918,299
Benefits	533,977
Berm Repairs	51,453
Utilities	308,123
Equipment Repairs	55,673
Supplies and Materials	322,246
Capital Outlay	1,793,338
Guarantee Deposits Refund	5,510
Purchased Services	1,029,860
	<hr/>
Total Operating Cash Disbursements	<u>5,018,479</u>
Operating (Loss)	<u>(1,740,712)</u>
Non-Operating Cash Receipts:	
Proceeds of Loans	637,680
Intergovernmental Revenues	1,889,360
Interest	4,786
Sale of Capital Asset	3,000
Other Non-Operating Receipts	259,765
	<hr/>
Total Non-Operating Cash Receipts	<u>2,794,591</u>
Non-Operating Cash Disbursements:	
Debt Service	552,161
Other Non-Operating Cash Disbursements	157,082
	<hr/>
Total Non-Operating Cash Disbursements	<u>709,243</u>
Net Receipts Over Disbursements	<u>344,636</u>
Cash Balances, January 1	<u>2,321,805</u>
Cash Balances, December 31	<u>\$2,666,441</u>
Reserve for Encumbrances, December 31	<u>\$328,378</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

The District is a member of the Public Entities Pool of Ohio, a public entity risk pool. Note 6 to the financial statements 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.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

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. 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, 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). The Board must annually approve appropriation measures and subsequent amendments.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

D. Budgetary Process (Continued)

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. The District did not encumber all commitments required by Ohio Law.

A summary of 2012 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

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

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do 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:

	2012
Demand deposits	<u>\$2,584,217</u>
STAR Ohio	82,224
Total deposits and investments	<u><u>\$2,666,441</u></u>

Deposits: Deposits are insured by the Federal Depository 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2012 follows:

2012 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$4,515,012	\$6,072,358	\$1,557,346

2012 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$5,367,297	\$6,056,100	(\$688,803)

Contrary to Ohio law, budgetary expenditures exceeded appropriation District by \$688,803 for the year ended December 31, 2012. However, the District did not have a cash deficit; therefore, no exception will be taken.

4. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
USDA FMHA Loans		
Uhrichsville Dennison No. 91-10	\$1,192,000	5%
Uhrichsville Dennison No. 91-14	71,000	5%
Roanoke No. 91-09	217,477	5%
Roanoke No. 97-01	195,000	6.13%
Midvale No. 92-03	402,000	6.13%
Midvale No. 92-05	233,000	6.13%
Midvale No. 92-07	208,000	6.25%
Midvale No. 92-08	47,000	6%
Total	2,565,477	
Ohio Water Development Authority Loans		
Loan No. 4462	1,138,888	1%
Loan No. 5408	172,888	1%
Total	1,311,776	
Ohio Public Works Commission Loans:		
Loan CN033	100,420	0%
Total	100,420	
USDA Sewer System Revenue Bonds	2,462,000	4.5%
Total	2,462,000	
Grand Total	\$6,439,673	

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

4. DEBT (Continued)

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 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 Water Development Authority to reline the truck sewer line in 2006.

The District also received \$383,411 loan (#5408) from the Ohio Water Development Authority for a rotary fan sludge press project in 2010.

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

Year ending December 31:	USDA Sewer	USDA FMHA	OWDA	OPWC
	System Revenue Bonds	Loans	Loans	Loans
2013	\$153,790	\$295,390	\$95,082	\$14,346
2014	152,855	296,151	95,082	14,346
2015	153,875	294,418	95,082	14,346
2016	153,760	296,323	95,082	14,346
2017	153,555	258,072	95,082	14,346
2018-2022	769,055	1,227,855	264,002	21,517
2023-2027	768,055	948,413	264,002	
2028-2032	768,415	49,220	31,557	
2033-2037	768,055			
2038-2041	615,020			
Total	<u>\$4,456,435</u>	<u>\$3,665,842</u>	<u>\$1,034,971</u>	<u>\$93,247</u>

5. RETIREMENT SYSTEMS

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 2012, 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, 2012

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The District is uninsured for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Risk Pool Membership

The District is a member of the Public Entities Pool of Ohio (PEP) (the Pool), a risk-sharing pool available to Ohio local governments. The Pool assumes the risk of loss up to the limits of the District's policy. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. Pool covers the following risks:

- General liability and casualty;
- Public official's liability; and
- Vehicle.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2012</u>
Cash and investments	\$33,362,404
Actuarial liabilities	\$14,187,273

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 STATEMENTS
DECEMBER 31, 2012
(Continued)**

7. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the District are subject to audit and adjustments by the grantor, principally the federal government. 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.

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>UNITED STATES DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>				
<i>Passed Through Ohio Water Development Authority</i>				
Capitalization Grants for Clean Water State Revolving Funds	FS391442-0008	66.468	\$ 2,329,935	\$ 2,329,935
Total			<u>\$ 2,329,935</u>	<u>\$ 2,329,935</u>

The notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this statement.

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Twin City Water and Sewer District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting



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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

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 statements of the Twin City Water and Sewer District, Tuscarawas County, (the District) as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated April 26, 2013 wherein we noted the District followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

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*.

Entity'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 response, 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.



Dave Yost
Auditor of State
Columbus, Ohio

April 26, 2013



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Trustees:

Report on Compliance for Its Major Federal Program

We have audited the Twin City Water and Sewer District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Twin City Water and Sewer District's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying Schedule of Findings as item 2012-002. This finding did not require us to modify our compliance opinion on the major federal program.

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

Report on Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2012-002 to be a material weakness.

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

Twin City Water and Sewer District
Tuscarawas County
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control over
Compliance Required by OMB Circular A-133
Page 3

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

April 26, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA# 66.468 Capitalization Grants for Drinking Water State Revolving Funds
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

1. Financial Reporting

<i>Finding Number</i>	2012-001
-----------------------	----------

MATERIAL WEAKNESS

As a result of the audit procedures performed, errors were noted in the financial statements that required audit adjustments and reclassifications as follows:

- Receipts and expenditures were reduced because the District incorrectly recorded reimbursements from OWDA for the well plant project which resulted in double booking receipts and expenditures in the Water Fund, Sewer Capital Improvement Fund and Water Capital Improvement Fund for \$11,512, \$11,126 and \$162,412, respectively.
- To reclassify the sale of a dump truck for \$3,000 from non-operating revenue to the sale of capital assets.
- To reclassify federal money received of \$637,680 from intergovernmental revenue to loan proceeds.
- To eliminate the inter-fund transfer activity of \$1,001,924 from the financial statements.

Sound financial reporting is the responsibility of the Treasurer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The financial statements have been adjusted accordingly.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board of Trustees, to identify and correct errors and omissions.

Official's Response: In the future, I will take corrective action to ensure proper classification.

3. FINDINGS FOR FEDERAL AWARDS

1. 40 CFR 31.36(b)(1)

Finding Number	2012-002
CFDA Title and Number	CFDA# 66.468 Capitalization Grants for Drinking Water State Revolving Funds
Federal Award Number / Year	FS391442-0008
Federal Agency	U.S. Department of Environmental Protection
Pass-Through Agency	Ohio Water Development Authority

MATERIAL WEAKNESS/NONCOMPLIANCE

40 CFR 31.36(b)(1) provides that grantees and sub-grantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.

- (2) Grantees and sub-grantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
- (3) Grantees and sub-grantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer or agent of the grantee or sub-grantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

- (4) Grantees and sub-grantee procedures will provide for a review of proposed procurements to avoid purchase of unnecessary or duplicative items.
- (5) To foster greater economy and efficiency, grantees and sub-grantees are encouraged to enter into State and local intergovernmental agreements for procurement or use of common goods and services.
- (6) Grantees and sub-grantees are encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.
- (7) Grantees and sub-grantees are encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the overall lower cost.
- (8) Grantees and sub-grantees will make awards only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.
- (9) Grantees and sub-grantees will maintain records sufficient to detail the significant history of procurement. These records will include, but are not limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
- (10) Grantee and sub-grantees will use time and material type contracts only: (1) after a determination that no other contract is suitable, and (ii) if the contract includes a ceiling price that the contractor exceeds at its own risk.
- (11) Grantees and sub-grantees alone will be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements.
- (12) Grantees and sub-grantees will have protest procedures to handle and resolve disputes relating to their procurements and shall in all instances disclose information regarding the protest to the awarding agency.

As of December 31, 2012, the District has not established a procurement policy for purchases made with federal grant monies.

The District should establish a procurement policy to ensure compliance with 40 CFR 31.36(b)(1) as they relate to federal grant purchases.

Official's Response: On April 18, 2013, the Board adopted the Twin City Water and Sewer District Procurement Procedure Policy.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Financial Reporting comment over bank versus book reconciling	Yes	Finding No Longer Valid

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FOR THE YEAR ENDED DECEMBER 31, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-002	On April 18, 2013, the Board adopted the Twin City Water and Sewer District Procurement Procedure Policy.	April 18, 2013	Lisa O'Hare



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
MAY 28, 2013**