



OHIO AUDITOR OF STATE  
**KEITH FABER**





**TWIN CITY WATER AND SEWER DISTRICT  
TUSCARAWAS COUNTY  
DECEMBER 31, 2019 AND 2018**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - For the Year Ended December 31, 2019 .....	3
Notes to the Financial Statements – For the Year Ended December 31, 2019 .....	5
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – For the Year Ended December 31, 2018 .....	13
Notes to the Financial Statements – For the Year Ended December 31, 2018 .....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23
Schedule of Findings.....	25
Summary Schedule of Prior Audit Finding (Prepared by Management) .....	26

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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 of the cash balances, receipts and disbursements, 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, 2019 and 2018.

### ***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 § 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 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 such 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 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 § 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 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 § 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 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, 2019 and 2018, and the respective changes in financial position or cash flows 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, receipts and disbursements, and related notes of the Twin City Water and Sewer District, Tuscarawas County, as of December 31, 2019 and 2018, 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 2.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2020, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

July 20, 2020

**Twin City Water and Sewer District**  
*Tuscarawas County*  
*Statement of Receipts, Disbursements and*  
*Changes in Fund Balances (Regulatory Cash Basis)*  
*For the Year Ended December 31, 2019*

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<b>Operating Cash Receipts</b>	
Charges for Services	\$3,508,312
Guarantee Deposits	8,150
	<u>3,516,462</u>
<i>Total Operating Cash Receipts</i>	
	<u>3,516,462</u>
<b>Operating Cash Disbursements</b>	
Personal Services	904,363
Benefits	476,328
Berm Repairs	47,190
Utilities	344,846
Repairs	349,322
Supplies and Materials	160,444
Capital Outlay	474,585
Guarantee Deposits	7,285
Purchased Services	114,409
	<u>2,878,772</u>
<i>Total Operating Cash Disbursements</i>	
	<u>2,878,772</u>
<i>Operating Income</i>	
	<u>637,690</u>
<b>Non-Operating Cash Receipts</b>	
Intergovernmental Revenues	173,913
Interest	53,647
Other Non-Operating Revenues	181,581
	<u>409,141</u>
<i>Total Non-Operating Cash Receipts</i>	
	<u>409,141</u>
<b>Non-Operating Cash Disbursements</b>	
Debt Service	757,548
Other Non-Operating Cash Disbursements	168,680
	<u>926,228</u>
<i>Total Non-Operating Cash Disbursements</i>	
	<u>926,228</u>
<i>Net Receipts Over/(Under) Disbursements</i>	
	<u>120,603</u>
Fund Cash Balances, January 1	<u>4,580,673</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$4,701,276</u></u>

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

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# TWIN CITY WATER & SEWER DISTRICT

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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## **Note 1 – Reporting Entity**

The Twin City Water & Sewer District (the District), Tuscarawas County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an 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. Subdivisions within the District are the Village of Dennison, City of Uhrichsville, a portion of Mill Township and a portion of Union Township. The District provides water and sewer services to residents of the District.

### ***Public Entity Risk Pool***

The District participates in the Public Entities Pool of Ohio, a public entity risk pool. Note 5 to the financial statements provide 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.

## **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 District 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).

**TWIN CITY WATER & SEWER DISTRICT**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

These statement 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 be budgeted annually.

***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. The District must annually approve appropriation measures and subsequent amendments. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). Appropriations lapse at year end.

***Estimated Resources***

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

***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 2019 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 investment in STAR Ohio (the State Treasurer's investment pool) is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

***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.

**TWIN CITY WATER & SEWER DISTRICT**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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**Note 2 – Summary Significant Accounting Policies (continued)**

***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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts

<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
<u>\$5,071,417*</u>	<u>\$5,347,860*</u>	<u>\$276,443</u>

\*Includes transfers not reflected on the financial statement.

2019 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Appropriations</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
<u>\$6,700,404*</u>	<u>\$5,227,257*</u>	<u>\$1,473,147</u>

\*Includes transfers not reflected on the financial statement.

**Note 4 - Deposit and Investments**

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

	<u>2019</u>
Demand Deposits	\$2,096,628
STAR Ohio	1,959,904
Cash with Fiscal Agent	<u>644,744</u>
	<u>\$4,701,276</u>

**TWIN CITY WATER & SEWER DISTRICT**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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**Note 4 - Deposit and Investments (Continued)**

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the District, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

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

***Cash with Fiscal Agent***

At fiscal year end, the District had \$ 644,744 cash held by the fiscal agent, which cannot be identified as an investment or deposit. The funds are in an account under the name of Twin City Water & Sewer District, but administrated by Medical Benefits. (See Note 5 for additional information on Medical Benefits Administrators, Inc., third party administrator).

**Note 5 - 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 is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the District's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

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

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

**TWIN CITY WATER & SEWER DISTRICT**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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**Note 5 - Risk Management (Continued)**

**Self-Insurance**

The District is also self-insured for employee health insurance. The District pays a premium, determined annually, by Medical Benefits Administrators, Inc., its 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.

**Note 6 - Defined Benefit pension Plans**

District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contributions rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2019.

**Note 7 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2019.

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**TWIN CITY WATER & SEWER DISTRICT**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

**Note 8 – Debt**

Debt outstanding at December 31, 2019 was as follows:

	<b><u>Principal</u></b>	<b><u>Interest Rate</u></b>
<b><u>USDA FmHA Loans</u></b>		
Uhrichsville Dennison No. 91-10	\$644,000	5%
Midvale No. 92-03	258,000	6.125%
Midvale No. 92-05	149,000	6%
Midvale No. 92-07	147,000	6.25%
Midvale No. 92-08	<u>33,000</u>	6%
<b>Total</b>	<b>1,231,000</b>	
<b><u>Ohio Environmental Protection Agency Loans</u></b>		
CS392655-02 Reline Trunk	609,553	1%
CS391442-0004 Sludge Press	109,315	1%
FS391442-0008 Well Plant/Fields	3,393,577	0%
CS391442-0010 6 <sup>th</sup> St L. S.	1,479,913	1%
FS391442-0012 Transmission Line	<u>764,328</u>	1.57%
<b>Total</b>	<b>6,356,686</b>	
<b><u>Ohio Public Works Commission</u></b>		
Loan CN31P	<u>209,044</u>	0%
<b>Total</b>	<b>209,044</b>	
<b><u>USDA Sewer System Revenue Bonds</u></b>		
Loan No. 92-16	<u>2,118,000</u>	4.5%
<b>Total</b>	<u>2,118,000</u>	
<b>Grand Total</b>	<b><u>\$9,914,730</u></b>	

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 OhioEPA.

## TWIN CITY WATER & SEWER DISTRICT

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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### **Note 8 – Debt (Continued)**

The District was approved for a \$1,529,660 loan from the Ohio Environmental Protection Agency to reline the trunk sewer in 2006.

The District also received \$383,411 loan (#CS391442-004) from the Ohio Environmental Protection Agency for a rotary fan sludge press project in 2010.

The District was approved for a \$4,244,156 loan (#FS391442-0008) from the Ohio Environmental Protection Agency to construct a new well water treatment plant in 2012. The loan is to be repaid over 30 year 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 (#CS391442-0010) 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, 2019 this project was complete.

In 2015, the District was approved for a loan, (#FS391442-0012) 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.

In 2018, the District was approved for a grant (#CN26V) from the Ohio Public Works Commission (OPWC) in the amount of \$150,000 and approved for a loan (#CN27V) from the Ohio Public Works Commission (OPWC) in the amount of \$150,000, at an interest rate of 0.00% for 30 years for the Eastport Avenue Improvements Phase II. The District was approved for a Critical Infrastructure Grant (CIG) from Tuscarawas County in the amount of \$300,000. The District was also approved for a grant from the Appalachian Regional Commission (ARC Area Development) in the amount of \$200,000 for the Eastport Avenue Improvements Phase II.

In 2018, the District was approved for a loan (#FS391442-0014) from the Ohio Environmental Protection Agency in the amount of \$2,163 at an interest rate of 0% for 5 years for the Asset Management Plan. The District was also approved for principal forgiveness in the amount of \$10,000 from the Ohio Environmental Protection Agency for the Asset Management Plan.

**TWIN CITY WATER & SEWER DISTRICT**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

**Note 8 – Debt (continued)**

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

Year ending December 31	USDA Sewer System Revenue Bonds	USDA FmHA Loans	OhioEPA Loans	OPWC Loan
2020	\$153,310	\$218,110	\$375,255	\$14,417
2021	153,700	218,000	375,255	14,417
2022	153,955	217,445	375,255	14,417
2023	153,075	216,469	375,255	14,417
2024	154,105	217,048	375,255	14,417
2025-2029	768,530	446,735	1,664,869	72,084
2030-2034	767,655		1,411,386	64,875
2035-2039	768,615		935,542	
2040-2044	307,575		742,440	
2045-2046			70,738	
<b>Total</b>	<b>\$3,380,520</b>	<b>\$1,533,807</b>	<b>\$6,701,250</b>	<b>\$209,044</b>

**Note 9 – 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.

**Note 10 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.



**Twin City Water and Sewer District**  
*Tuscarawas County*  
*Statement of Receipts, Disbursements and*  
*Changes in Fund Balances (Regulatory Cash Basis)*  
*For the Year Ended December 31, 2018*

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<b>Operating Cash Receipts</b>	
Charges for Services	\$3,469,009
Guarantee Deposits	7,200
	<u>3,476,209</u>
<i>Total Operating Cash Receipts</i>	
	<u>3,476,209</u>
<b>Operating Cash Disbursements</b>	
Personal Services	882,304
Benefits	478,947
Berm Repairs	29,954
Utilities	387,881
Repairs	267,125
Supplies and Materials	275,809
Capital Outlay	251,183
Guarantee Deposits	6,175
Purchased Services	84,955
	<u>2,664,333</u>
<i>Total Operating Cash Disbursements</i>	
	<u>2,664,333</u>
<i>Operating Income</i>	
	<u>811,876</u>
<b>Non-Operating Cash Receipts</b>	
Intergovernmental Revenues	24,658
Interest	36,120
Other Non-Operating Revenues	208,780
	<u>269,558</u>
<i>Total Non-Operating Cash Receipts</i>	
	<u>269,558</u>
<b>Non-Operating Cash Disbursements</b>	
Debt Service	762,343
Other Non-Operating Cash Disbursements	103,130
	<u>865,473</u>
<i>Total Non-Operating Cash Disbursements</i>	
	<u>865,473</u>
<i>Net Receipts Over/(Under) Disbursements</i>	
	<u>215,961</u>
Fund Cash Balances, January 1	
	<u>4,364,712</u>
<i>Fund Cash Balances, December 31</i>	
	<u><u>\$4,580,673</u></u>

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

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# TWIN CITY WATER & SEWER DISTRICT

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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## **Note 1 – Reporting Entity**

The Twin City Water & Sewer District (the District), Tuscarawas County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an 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. Subdivisions within the District are the Village of Dennison, City of Uhrichsville, a portion of Mill Township and a portion of Union Township. The District provides water and sewer services to residents of the District.

### ***Public Entity Risk Pool***

The District participates in the Public Entities Pool of Ohio, a public entity risk pool. Note 5 to the financial statements provide 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.

## **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 District 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.

**TWIN CITY WATER & SEWER DISTRICT**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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

***Budgetary Process***

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

***Appropriations***

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, object level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). Appropriations lapse at year end.

***Estimated Resources***

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

***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 2018 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 investment in STAR Ohio (the State Treasurer's investment pool) is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

***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.

**TWIN CITY WATER & SEWER DISTRICT**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 2 – Summary Significant Accounting Policies (continued)**

***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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts

Budgeted Receipts	Actual Receipts	Variance
<u>\$4,876,241*</u>	<u>\$4,989,447*</u>	<u>\$113,206</u>

\*Includes transfers not reflected on the financial statement.

2018 Budgeted vs. Actual Budgetary Basis Expenditures

Appropriations Authority	Budgetary Expenditures	Variance
<u>\$5,786,370*</u>	<u>\$4,773,486*</u>	<u>\$1,012,884</u>

\*includes transfers not reflected on the financial statement.

**Note 4 – Deposit and Investments**

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

	<u>2018</u>
Demand Deposits	\$2,033,995
STAR Ohio	1,892,063
Cash with Fiscal Agent	<u>654,615</u>
	<u>\$4,580,673</u>

**TWIN CITY WATER & SEWER DISTRICT**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 4 – Deposit and Investments (Continued)**

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the District, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

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

***Cash with Fiscal Agent***

At fiscal year end, the District had \$ 654,615 cash held by the fiscal agent, which cannot be identified as an investment or deposit. The funds are in an account under the name of Twin City Water & Sewer District, but administrated by Medical Benefits. (See Note 5 for additional information on Medical Benefits Administrators, Inc., third party administrator).

**Note 5 – 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 is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the District's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

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

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

**TWIN CITY WATER & SEWER DISTRICT**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 5 – Risk Management (continued)**

**Self-Insurance**

The District is also self-insured for employee health insurance. The District pays a premium, determined annually, by medical Benefits Administrators, Inc., its 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.

**Note 6 – Defined Benefit Pension Plans**

District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

**Note 7 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for OPERS members was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0% during calendar year 2018.

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**TWIN CITY WATER & SEWER DISTRICT**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 8 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	<b><u>Principal</u></b>	<b><u>Interest Rate</u></b>
<b>USDA FmHA Loans</b>		
Uhrichsville Dennison No. 91-10	\$734,000	5%
Midvale No. 92-03	282,000	6.125%
Midvale No. 92-05	163,000	6%
Midvale No. 92-07	157,000	6.25%
Midvale No. 92-08	<u>35,000</u>	6%
<b>Total</b>	1,371,000	
<b>Ohio Environmental Protection Agency Loans</b>		
CS392655-02 Reline Trunk	687,435	1%
CS391442-0004 Sludge Press	118,671	1%
FS391442-0008 Well Plant/Fields	3,534,976	0%
CS391442-0010 6 <sup>th</sup> St. L.S.*	1,568,344	1%
FS391442-0012 Transmission Line*	<u>784,428</u>	1.57%
<b>Total</b>	6,693,854	
<b>Ohio Public Works Commission</b>		
Loan CN31P	<u>223,461</u>	0%
<b>Total</b>	223,461	
<b>USDA Sewer System Revenue Bonds</b>		
Loan No.92-16	<u>2,174,000</u>	4.5%
<b>Total</b>	<u>2,174,000</u>	
<b>Grand Total</b>	<u><u>\$10,462,315</u></u>	

-\*An amortization schedule is not yet available for this loan.

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.



## TWIN CITY WATER & SEWER DISTRICT

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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### **Note 8 – Debt (continued)**

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 OhioEPA.

The District was approved for a \$1,529,660 loan from the Ohio Environmental Protection Agency to reline the trunk sewer in 2006.

The District also received \$383,411, loan (#CS391442-0004) from the Ohio Environmental Protection Agency for a rotary fan sludge press project in 2010.

The District was approved for a \$4,244,156 loan (#FS391442-0008) from the Ohio Environmental Protection Agency 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 (#CS391442-0010) 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, 2018 this project was complete. An amortization schedule has not yet been determined for this obligation.

In 2015, the District was approved for a loan, (#FS391442-0012) 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. At December 31, 2018 this project was complete. An amortization schedule has not yet been determined for this obligation.

In 2018, the District was approved for a grant (#CN26V) from the Ohio Public Works Commission (OPWC) in the amount of \$150,000 and approved for a loan (#CN27V) from the Ohio Public Works Commission (OPWC) in the amount of \$150,000 at an interest rate of 0.00% for 30 years for the Eastport Avenue Improvements Phase II. The District was approved for a Critical Infrastructure Grant (CIG) from Tuscarawas County in the amount of \$300,000.00. The District was also approved for a grant from the Appalachian Regional Commission (ARC Area Development) in the amount of \$200,000.00 for the Eastport Avenue Improvements Phase II.

In 2018, the District was approved for a loan (#FS391442-0014) from the Ohio Environmental Protection Agency in the amount of \$2,163 at an interest of 0% for 5 years for the Asset Management Plan. The District was also approved for principal forgiveness in the amount of \$10,000 from the Ohio Environmental Protection Agency for the Asset Management Plan.

**TWIN CITY WATER & SEWER DISTRICT**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

**Note 8 – Debt (continued)**

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

Year ending December 31	USDA Sewer System Revenue Bonds	USDA FmHA Loans	OhioEPA Loans	OPWC Loan
2019	\$153,830	\$215,665	\$236,481	\$14,417
2020	153,310	218,110	236,481	14,417
2021	153,700	218,000	236,481	14,417
2022	153,955	217,445	236,481	14,417
2023	153,075	216,468	236,481	14,417
2024-2028	768,675	639,355	1,055,559	72,084
2029-2033	767,985	24,428	728,033	72,084
2034-2038	769,255		706,995	7,208
2039-2043	460,565		706,995	
<b>Total</b>	<b>\$3,534,350</b>	<b>\$1,749,471</b>	<b>\$4,379,987</b>	<b>\$223,461</b>

**Note 9 – 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.

**Note 10 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

# OHIO AUDITOR OF STATE KEITH FABER



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The Plains, Ohio 45780-1231  
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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 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, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated July 20, 2020, 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

### ***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 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency. We consider Finding 2019-001 to be a significant deficiency.

***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*.

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

July 20, 2020

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Significant Deficiency**

In our audit engagement letter, as required by AU-C Section 2-10, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

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.

The District did not always record receipts into accurate classifications on the financial statements.

We noted in 2019 that receipts for the Eastport Ave I/II Fund in the amount of \$150,000 posted to Proceeds of Loan – OPWC Grant, which should have been posted to Intergovernmental Revenue.

The adjustment noted above, with which management agrees, is reflected in the accompanying financial statements.

In addition to the adjustment listed above, we also identified additional misstatements in 2019 ranging from \$4,097 to \$5,132 and additional misstatements in 2018 ranging from \$5,903 to \$5,932 that are not reflected in the accompanying financial statements due to their insignificance.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and management may not be provided an accurate picture of the District's financial position and operations.

The District should take the necessary steps to ensure that all receipts are properly presented and disclosed in the District's financial statements.

**Officials' Response:** The District will correctly post any future grant proceeds as intergovernmental receipts on the financial statement.

# Twin City Water & Sewer District

308 GRANT STREET  
DENNISON, OHIO 44621

PHONE (740) 922-1460  
FAX (740) 922-2813

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

DECEMBER 31, 2019 AND 2018

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	Material Weakness for improper posting of receipts and disbursements.	Not corrected.	The District will correctly post all future receipts and disbursements.

# OHIO AUDITOR OF STATE KEITH FABER



**TWIN CITY WATER AND SEWER DISTRICT**

**TUSCARAWAS COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 8/4/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)