

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 & 2008

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



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Twin City Water and Sewer District, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 29, 2010

This Page is Intentionally Left Blank.

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY
For the Years Ending December 31, 2009 and 2008**

TABLE OF CONTENTS

<u>Title</u>	<u>Page #</u>
Report of Independent Accountants	1-2
Statement of Receipts, Disbursements and Changes in Fund Cash Balances – Enterprise Funds - For the Years Ended December 31, 2009 and 2008	3
Notes to the Financial Statements	4 - 11
Independent Accountant’s Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	12 - 13
Schedule of Prior Audit Findings	14

This Page is Intentionally Left Blank.

Rockefeller Building
614 West Superior Avenue Suite # 1242
Cleveland, OH 44113-1306
Office Phone - (216) 575-1630
Fax - (216) 436-2411

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Twin City Water and Sewer District, Tuscarawas County, Ohio (the District) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since the District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2009 and 2008, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Twin City Water and Sewer District, Tuscarawas County, as of December 31, 2009 and 2008, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

May 17, 2010

**TWIN CITY WATER AND SEWER DISTRICT
TUSCAWARAS COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ENTERPRISE FUNDS
For the Years Ended December 31, 2009 and 2008**

	ENTERPRISE FUNDS	
	2009	2008
Cash Receipts:		
Charges for Services	\$ 3,143,944	\$ 2,918,356
Guarantee Deposits	5,250	5,800
Total Cash Receipts	\$ 3,149,194	\$ 2,924,156
Cash Disbursements:		
Personal Services	\$ 851,063	\$ 828,919
Benefits	602,667	510,362
Contractual Services	33,407	15,007
Utilities	291,261	295,438
Berm Repairs	34,803	34,514
Equipment Repairs	94,803	96,501
Supplies and Materials	217,767	197,058
Guarantee Deposits Refund	9,468	-
Capital Outlay	257,820	224,269
Total Cash Disbursements	\$ 2,393,059	\$ 2,202,068
Total Cash Receipts Over/(Under) Cash Disbursements	\$ 756,135	\$ 722,088
Non-Operating Cash Receipts:		
Intergovernmental Revenue	24,682	24,055
Interest	14,051	18,420
Insurance Reimbursement	233,418	107,338
Other Non-Operating Receipts	35,383	46,156
Total Non-Operating Cash Receipts	\$ 307,534	\$ 195,969
Non-Operating Cash Disbursements:		
Debt Service		
Principal	\$ 264,540	\$ 283,195
Interest	304,631	314,540
Insurance Claims	173,205	166,284
Other Non-Operating Cash Disbursements	-	14,234
Total Non-Operating Cash Disbursements	\$ 742,376	\$ 778,253
Net Receipts Over/(Under) Disbursements	\$ 321,293	\$ 139,804
Fund Cash Balance, January 1,	\$ 1,614,909	\$ 1,475,105
Fund Cash Balance, December 31,	\$ 1,936,202	\$ 1,614,909
Reserve for Encumbrances, December 31,	\$ 72,696	\$ 55,418

See accompanying Notes to the Financial Statements.

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

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

B. BASIS OF ACCOUNTING

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

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

C. INVESTMENTS

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

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

D. FUND ACCOUNTING

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

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

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -(Continued)

D. FUND ACCOUNTING (continued)

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

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

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

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

E. BUDGETARY PROCESS

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

• **Appropriations**

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

• **Estimated Resources**

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

• **Encumbrances**

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

A summary of budgetary activity appears in Note 3.

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. PROPERTY, PLANT, AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

		2009		2008	
Demand Deposits	\$	1,854,175	\$	1,533,109	
STAR Ohio		82,027		81,800	
Total Deposits and Investments	\$	1,936,202	\$	1,614,909	

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

Budgeted vs. Actual Receipts		
Fund Type	2009	2008
Budgeted Receipts	\$ 2,962,754	\$ 3,167,762
Actual Receipts	3,456,728	3,120,125
Variance	\$ 493,974	\$ (47,637)

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

3. BUDGETARY ACTIVITY - (Continued)

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2009	2008
Appropriation Authority	\$ 4,060,513	\$ 3,414,378
Budgetary Expenditures	3,208,131	3,035,739
Variance	\$ 852,382	\$ 378,639

4. DEBT

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
USDA FMHA Loans		
Uhrichsville Dennison No. 91-10	\$ 1,375,000	5.00%
Uhrichsville Dennison No. 91-14	84,000	5.00%
Roanoke No. 91-09	322,477	5.00%
Roanoke No. 97-01	217,000	6.13%
Midvale No. 92-03	447,000	6.13%
Midvale No. 92-05	259,000	6.13%
Midvale No. 92-07	227,000	6.25%
Midvale No. 92-08	51,000	6.00%
Total	2,982,477	
Ohio Water Development Authority Loans		
Loan No. 1951	31,945	7.77%
Loan No. 4462	1,297,466	1.00%
Total	1,329,411	
Ohio Public Works Commission Loans:		
Loan CN033	143,458	0.00%
Loan CN325	37,450	0.00%
Total	180,908	
USDA Sewer System Revenue Bonds		
Total	\$ 7,072,796	4.50%

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 Loans Nos. 92-07 and 92-08, are being reimbursed to the District by Tuscarawas County, as set forth in an agreement with the County.

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

4. DEBT (continued)

The District has also entered into contractual agreements for construction loans with the OPWC. Under the terms of these agreements, the OPWC will reimburse, advance or directly pay the construction costs of approved projects. The District made a payment of \$11,286 to pay off Sanitary Sewer Line Replacement loan in January, 2008.

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

The District received \$1,529,660 from the Ohio Water Development Authority to reline the truck sewer line in 2006. The District paid off \$145,351 loan toward the planning of this project in 2006. No amortization is included since OWDA has not yet finalized payment schedule. The debt outstanding schedule shows a principal restatement of an increase of \$24,425 for OWDA Loan No. 4462.

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

	USDA Sewer System Revenue Bonds	USDA FMHA Loans	OWDA Loans	OPWC Loans
Year ending December 31:				
2010	\$ 153,100	\$ 295,541	\$ 23,269	\$ 25,046
2011	154,435	295,591	11,674	25,046
2012	153,635	298,270	-	25,046
2013	153,790	297,403	-	19,696
2014	152,855	298,165	-	14,346
2015-2019	769,280	1,378,259	-	71,728
2020-2024	768,055	1,228,595	-	-
2025-2029	768,530	507,442	-	-
2030-2034	767,655	-	-	-
2035-2039	768,615	-	-	-
2040-2041	307,575	-	-	-
Total	<u>\$ 4,917,525</u>	<u>\$ 4,599,266</u>	<u>\$ 34,943</u>	<u>\$ 180,908</u>

5. LEASES

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

Years	Amount
2010	\$ 27,621
2011	27,621
2012	18,414
Total	<u>\$ 73,656</u>

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

6. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 10% in 2008 and 2009 of their gross salaries. The District contributed an amount equal to 14% of participants' gross salaries, respectively. The District has paid all contributions required through December 31, 2009.

7. RISK MANAGEMENT

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

Casualty Insurance

For occurrences prior to January 1, 2006, PEP retains casualty risk up to \$250,000 per claim, including automobile loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from General Reinsurance Corporation.

For occurrences on or after January 1, 2006, PEP retains casualty risk up to \$350,000 per claim, including automobile loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$2,650,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, from General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to an annual aggregate of \$10,000,000.

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

7. RISK MANAGEMENT- (Continued)

Property Insurance

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit. The aggregate loss limit for 2008 and 2007 were \$2,000,000 and \$2,014,547, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large aggregate and specific losses. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool, although they do not discharge the Pool's primary liability for such payments. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers or excess risk-sharing agreements. Premiums ceded to reinsurance carriers and the risk-sharing pool during the years ended December 31, 2008 and 2007 totaled \$3,110,836 and \$3,489,982, respectively, and the amounts deducted from claims and claim expense reserves as of December 31, 2008 and 2007 for reinsurance and excess risk-sharing agreements totaled approximately \$1,334,000 and \$3,522,000, respectively.

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

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

**TWIN CITY WATER & SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

7. RISK MANAGEMENT- (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2008 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Retained Earnings	<u>\$20,459,329</u>	<u>\$20,219,246</u>

The casualty coverage assets and retained earnings above include approximately \$14.4 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008. PEP will collect these amounts in the future annual premium billings when PEP's related liabilities are due for payment.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year.

Self Insurance

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

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

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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

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

To the Board of Trustees:

We have audited the financial statements of the Twin City Water and Sewer District, Tuscarawas County, Ohio (District) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 17, 2010, wherein we noted the District followed accounting practices prescribed or permitted by the Auditor of State of Ohio. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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 did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 17, 2010.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees and others within the District. We intend it for no one other than these specified parties.

Charles E. Harris and Associates, Inc.

May 17, 2010

TWIN CITY WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY, OHIO
For the Years Ended December 31, 2009 and 2008

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-01	Ohio Revised Code section 5705.41(D) requires the District's fiscal officer to certify the availability of funds prior to any obligation. During 2007, the District did not certify the availability of funds prior to commitments being made.	No	Partially corrected, the finding has been moved to management recommendation letter.
2007-02	Ohio Revised Code section 9.833 Requires individual, self-insured governments or joint self-insured health-care programs to calculate (i.e., reserve) amounts required to cover health care benefit liabilities.	No	Not corrected, the finding has been moved to management recommendation letter.



Mary Taylor, CPA
Auditor of State

TWIN CITY WATER & 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
JULY 13, 2010**