

**Twinsburg Township**

Financial Condition

As of

December 31, 2005

Together with Auditor's Report





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Twinsburg Township  
7996 Darrow Road  
Twinsburg, Ohio 44087

We have reviewed the *Independent Auditor's Report* of Twinsburg Township, Summit County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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. Twinsburg Township, Summit County 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

April 3, 2007

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TWINSBURG TOWNSHIP

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Kevin L.  
enn, Inc.

Certified Public Accountant  
11811 Shaker Boulevard, Suite 421  
Cleveland, Ohio 44120  
(216)421-1000  
Fax:(216)421-1001  
Email: klpenncpa@aol.com

### **Independent Auditor's Report**

To the Board of Trustee  
Board of Twinsburg Township  
Summit County, Ohio

I have audited the accompanying financial statements of Twinsburg Township as December 31, 2005 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the Township 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. Although I cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, I presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005. Instead of the combined funds the accompanying financial statements present for 2005, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2005. While the Township does not follow GAAP, generally accepted auditing standards require 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 Township has elected not to reformat its statements. Since the Township does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. My opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In my opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005, or its changes in financial position for the year then ended.

Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Twinsburg Township as of December 31, 2005, and its combined cash receipts and disbursements for the year then ended, on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2005. The Township 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, I have also issued my report dated June 13, 2006, on my consideration of the Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my testing of internal controls over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards. You should read it in conjunction with this report in assessing the results of my audit.

Kevin L. Penn, Inc.

June 13, 2006

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Twinsburg Township  
Summit County  
Combined Statement of Cash Receipts, Disbursements  
and Changes in Fund Cash Balances  
All Governmental and Fiduciary Fund Types  
For the Year Ended December 31, 2005

	Governmental Fund Types			Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects		
<b>Cash Receipts:</b>					
Local Taxes	\$ 289,348	\$ 1,257,362	\$ -	\$ -	\$ 1,546,710
Intergovernmental	2,341,638	167,234			2,508,872
Charges for Services				1,000	1,000
Licenses, Permits, and Fees		124,817			124,817
Fines, Forfeitures, and Penalties	10,821				10,821
Earnings on Investments	119,928	1,137			121,065
Other Revenue	58,273				58,273
<b>Total Cash Receipts</b>	<b>2,820,008</b>	<b>1,550,550</b>	<b>-</b>	<b>1,000</b>	<b>4,371,558</b>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
General Government	839,034	97,967			937,001
Public Safety		1,147,782			1,147,782
Public Works	154,793	312,681	336,072		803,546
Purchased Services				2,109	2,109
Conservation - Recreation	22,854				22,854
Capital Outlay	1,030,123				1,030,123
<b>Total Cash Disbursements</b>	<b>2,046,804</b>	<b>1,558,430</b>	<b>336,072</b>	<b>2,109</b>	<b>3,943,415</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>773,204</b>	<b>(7,880)</b>	<b>(336,072)</b>	<b>(1,109)</b>	<b>428,143</b>
<b>Other Financing Receipts/(Disbursements)</b>					
Transfers-In			815,529		815,529
Transfers-Out	(815,529)				(815,529)
Other Financing Sources	15				15
Other Financing Uses	(68,100)				(68,100)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(883,614)</b>	<b>-</b>	<b>815,529</b>	<b>-</b>	<b>(68,085)</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(110,410)</b>	<b>(7,880)</b>	<b>479,457</b>	<b>(1,109)</b>	<b>360,058</b>
Fund Cash Balance - January 1, 2005	1,573,244	1,411,636	329,078	12,514	3,326,472
Fund Cash Balance - December 31, 2005	\$ 1,462,834	\$ 1,403,756	\$ 808,535	\$ 11,405	\$ 3,686,530
Reserves for Encumbrances, December 31, 2005	\$ 478,903	\$ 64,747	\$ 787,251	\$ -	\$ 1,330,901

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

TWINSBURG TOWNSHIP  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 1 - DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION

(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY

The Twinsburg Township, (the Township) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides road and bridge maintenance, recycling, protection and emergency medical services. The Township contracts with the City of Twinsburg to provide fire protection and emergency medical services. The Township also contracts with the Summit County Sheriff's Department for police protection.

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).

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

C. CASH AND INVESTMENTS:

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Investments in repurchase agreements are valued at cost.

D. FUND ACCOUNTING

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

Governmental Fund Types:

General Fund. This fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

TWINSBURG TOWNSHIP  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 1 - DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION

(As Required by Various Statutes)

D. FUND ACCOUNTING (continued)

Special Revenue Funds. These funds are used to account for the proceeds of specific sources (other than from trusts or for capital projects) that are legally restricted to expenditure for specified purposes. The Township has the following significant Special Revenue Funds:

- Police Levy Fund – This fund receives money from a special tax levy that is used to pay for the cost of police protection provided by the Summit County Sheriff's Department.
- Fire/Emergency Medical Services Fund – This fund receives money from a special tax levy that is used to pay for the cost of fire protection and emergency medical services provided by the City of Twinsburg.

Capital Projects Funds. These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township has the following significant Capital Project Funds:

- Hadden Road Issue II Fund - This fund is used to account for State Issue II monies received and disbursed relative to the general improvement of Hadden Road.
- Herrick Road Issue II Fund - This fund is used to account for State Issue II monies received and disbursed relative to the general improvement of

Fiduciary Fund (Agency Fund). This fund is used to account for funds for which the Township is acting in an agency capacity. The Township has the following Fiduciary Fund:

- Local Public Works Fund – This fund received revenue from the City of Twinsburg in connection with a road construction project.

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, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve the appropriation measure and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

TWINSBURG TOWNSHIP  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 1 - DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION

(As Required by Various Statutes)

E. BUDGETARY PROCESS (continued)

ENCUMBRANCES

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of the 2005 budgetary activity appears in Note 4.

ESTIMATED RESOURCES

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded for these fixed assets.

G. UNPAID VACATION AND SICK 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 Township's basis of accounting.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Amounts in the "Totals (Memorandum Only)" columns of the financial statements represent a summation of the financial statements line items of the fund types and account groups. These amounts are presented for analytical purposes only. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the Township into three categories.

Active deposits are public deposits necessary to meet current demands on the Township treasury. Such monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

TWINSBURG TOWNSHIP  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Inactive deposits are public deposits that the Township has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

TWINSBURG TOWNSHIP  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits with Financial Institutions, Investments (Including Repurchase Agreements). At year end, the carrying amount of the Township's deposits was \$3,787,013 and the bank balance was \$4,068,229. Of the bank balance \$100,000 was covered by federal depository insurance and \$3,968,229 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments: GASB Statement No. 3 "Deposits with Financial Institutions, investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments classified by risk. Category 1 included investments that are insured or registered for which the securities are held in the counter party's trust department or agent in the Township's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department but not in the Township's name. At December 31, 2005, the Township held no investments that would be classified as investments under GASB Statement No.3.

NOTE 3 - PENSION PLAN

Ohio Public Employees Retirement System

All Authority full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;

TWINSBURG TOWNSHIP  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 3 - PENSION PLAN

Ohio Public Employees Retirement System

- The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

PERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 13.55 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2005, 2004, and 2003 were \$34,811, \$31,493, and \$25,177, respectively.

NOTE 4 - POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 employer contribution rate was 13.55 percent of covered payroll, 4 percent was the portion that was used to fund health care for 2005.

TWINSBURG TOWNSHIP  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 4 - POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2004, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.



TWINSBURG TOWNSHIP  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 follows:

Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,127,748	\$ 2,820,023	\$(1,307,725)
Special Revenue	2,924,718	1,550,550	(1,374,168)
Capital Projects	2,242,649	815,529	(1,427,120)
Fiduciary	22,514	1,000	(21,514)
Total	9,317,629	\$ 5,187,102	\$(4,130,527)

Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,933,305	\$ 3,409,336	\$ 523,969
Special Revenue	1,860,520	1,623,177	237,343
Capital Projects	2,221,592	1,123,323	1,098,269
Fiduciary	22,514	2,109	20,405
Total	\$ 8,037,931	\$ 6,157,945	\$ 1,879,986

Contrary to Ohio Revised Code Section 5705.41(D), the Township did not certify certain expenditures prior to commitment.

NOTE 6 - PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31.

The second half payment is due the following June 20. Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

TWINSBURG TOWNSHIP  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 7 – RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Township. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including claim adjustment expenses. OTARMA 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 the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses 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 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

Property and casualty settlements did not exceed insurance coverage for the past three years.

TWINSBURG TOWNSHIP  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 7 – RISK MANAGEMENT (continued)

Financial Position

OTARMA'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, 2005 and 2004.

Casualty Coverage	2005	2004
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained Earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
Property Coverage	2005	2004
Assets	\$ 9,177,796	\$ 7,588,343
Liabilities	<u>( 1,406,031)</u>	<u>( 543,176)</u>
Retained Earnings	<u>\$ 7,771,765</u>	<u>\$ 7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$38,264. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

Township Contributions to OTARMA:

2003 - \$12,400  
2004 - \$13,076  
2005 - \$19,132

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

TWINSBURG TOWNSHIP  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 8 – LEASE

In 2005 the Township entered into a cooperative agreement with the Summit county Port Authority (the “Authority”), pursuant to available Authority programs. This agreement included multiple documents approved and executed by the Township and the Authority. These documents can be found in the Authority’s Transcript of Proceedings dated September 27, 2005.

In conjunction with this agreement, the Authority issued bonds for the purpose of the purchase and renovation of the building located at 7996 Darrow Road in the Township for use by the Township as an Administrative and Service Center. The bonds issued by the Authority have a term of 20 years, beginning in 2005 and ending in 2025. At the completion of this term, ownership of the building will transfer from the Authority to the Township.

The documents executed by the Township and the Authority include a lease agreement, specifying Township and Authority roles as lessee and lessor, respectively, during the 20 year period. In accordance with the lease agreement, the Township makes monthly lease payments to the Authority’s trustee, U.S. Bank National Association, subject to annual Township appropriations approved by the Board of Trustees. Monthly payments are due on the first day of each month.

Upon completion of renovations, the building will accommodate facilities for all Township administration, zoning, and service functions, as well as public safety facilities for policing and fire/EMS services. The Township currently contracts with other governmental entities for policing and fire/EMS services.

Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 329,021
2007	473,521
2008	474,333
2009	474,583
2010	474,271
Thereafter	<u>7,385,058</u>
Total	<u>\$9,610,787</u>

NOTE 9 - CONTINGENT LIABILITIES

The Township is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Township’s financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any would not be material.

TWINSBURG TOWNSHIP  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 10 - Correction of an Error

The beginning cash fund balances for the General Fund and the Fire/EMS (Special Revenue Fund) has been restated as the result of a correction of an error, relating voided warrants and warrants which was held at year end.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Cash Fund Balance as Previously Stated	\$1,593,189	\$1,492,174
Correction of an Error	<u>( 19,945)</u>	<u>( 80,538)</u>
Cash Fund Balance as Restated	<u>\$1,573,244</u>	<u>\$1,411,636</u>

NOTE 11 – JOINT VENTURE

The Township participates in the Twinsburg Township – Village of Reminderville Joint Economic Development District (the District), which is a statutorily created subdivision of the State. The purpose of the District is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the County, the Village, the Township and the District. This joint venture is considered a separate reporting entity by the Township’s management. Accordingly, the joint venture has not been included in these financial statements.



Kevin L.  
enn, Inc.

Certified Public Accountant  
11811 Shaker Boulevard, Suite 421  
Cleveland, Ohio 44120  
(216)421-1000  
Fax:(216)421-1001  
Email: klpenncpa@aol.com

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards**

To the Board of Trustee  
Board of Twinsburg Township  
Summit County, Ohio

I have audited the financial statements of Twinsburg Township as of and for the year ended December 31, 2005, and have issued my report thereon dated June 13, 2006. I conducted my audit in accordance with generally accepted auditing standards 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. My report on the financial statements disclosed that, as described in Note 1 to the financial statements, the Township prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Ohio, which is a comprehensive basis of accounting other than generally accepted accounting principles.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Twinsburg Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. I noted certain matters that I reported to management of Twinsburg Township in a separate letter dated June 13, 2006.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Twinsburg Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 2005-1, 2005-2, 2005-3 and 2005-4. I also noted certain additional matters that I reported to management of Twinsburg Township in a separate letter dated June 13, 2006.

This report is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

June 13, 2006

Twinsburg Township  
Summit County

Schedule of Findings  
December 31, 2005

Finding Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS

2005-1

**Ohio Revised Code Section 5549.21** specifies, in part that competitive bidding is required for the purchase of materials and tools to be used in constructing, reconstructing, maintaining and repairing roads and culverts, where the amount involved exceeds \$25,000.

During the 2005 calendar year, the Township purchased a Dump Truck that exceeded the \$25,000 limitation. The Township could not provide evidence to support that competitive bidding was performed, as required by R.C. 5549.21.

Auditee's Response:

The Township will competitively bid the purchase of materials and tools to be used in constructing, reconstructing, maintaining and repairing roads and culverts, where the amount involved exceeds \$25,000.

2005-2

**Ohio Revised Code Section 5575.01** specifies, in part that competitive bidding is required for contracts for the maintenance or repair of roads, where the amount involved exceeds \$45,000. In each case, the board must advertise once, not later than two weeks prior to the letting of the contract, in a newspaper published in the county and of general circulation in the township or, if no newspaper is published in the county, in a newspaper having general circulation in the township. The contract must then be awarded to the lowest responsible bidder.

During the 2005 calendar year, the Township entered into a contract for road repair in the amount of \$164,312, an amount in excess of \$45,000. The Township could not provide evidence to support that competitive bidding was performed. In addition, the Township entered into a construction contract in the amount of \$81,829 which also exceeded the \$45,000 limitation. Again the Township could not provide evidence to support that competitive bidding was performed.

Auditee's Response:

The Township will competitively bid contracts for the maintenance or repair of roads, where the amount involved exceeds \$45,000.

2005-3

**Ohio Revised Code Section 505.08** specifies that "after adopting by a unanimous Vote a resolution declaring a real and present emergency in connection with the administration of township services or the execution of duties assigned by law to any officer of a township, the board of township trustees may enter into a contract, without bidding or advertising, for the purchase of services, materials, equipment or supplies needed to meet the emergency if the estimated cost of the contract is less than fifty thousand dollars."



Twinsburg Township  
Summit County

Schedule of Findings  
December 31, 2005

Finding Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS

2005-3 (continued)

During the 2005 calendar year, the Township entered into a contract based on an emergency basis to build a Salt Shed. However, such purchase exceeded the \$50,000 limitation set forth in R.C. 505.08.

Auditee's Response:

The Township will competitively bid out contracts which exceed \$50,000 for emergency situations.

2005-4

**Ohio Revised Code Section 125.04** © specifies, in part, that a Township may purchase supplies or services, without utilizing competitive bidding, from another party, including another political subdivision, instead of through a contract that the Ohio Department of Administrative Services has entered into on behalf of the township, if the Township can prove that it can purchase the same supplies or services from the other party upon equivalent conditions and specifications but at a lower price.

During the 2005 calendar year, the Township purchased a Backhoe Loader for \$80,283 which exceeded the \$25,000 limitation, and indicated that the purchase was made via the Ohio Department of Administrative Services purchasing program; however, the Township could not provide evidence of properly utilizing the Ohio Department of Administrative Services purchasing program; furthermore there was no evidence supplied by the Township indicating that those same supplies or services could be purchased from another party with equivalent conditions and specifications but at a lower price.

Auditee's Response:

The Township will continue to utilize the Ohio Department of Administrative Services purchasing program and provide evidence that those same supplies or services could be purchased from another party with equivalent conditions and specifications but at a lower price.

Twinsburg Township  
Summit County

Schedule of Prior Audit Findings  
December 31, 2005

**2004-1**

Use of Credit Cards

Finding Summary:

There were several credit card transactions which did not provide adequate receipts to support the amount indicated on the credit card statement. In addition, there was a total of \$576.93 in finance and late payment charges.

Fully Corrected?

Yes.

Current Status:

Finding has been corrected.

**2004-2**

Cellular Phone

Finding Summary:

Excess charges for cellular phone usage was incurred and paid during the 2003 and 2004 calendar year by the Township.

Fully Corrected?

Yes.

Current Status:

Finding has been corrected.



**Mary Taylor, CPA**  
Auditor of State

**TWINSBURG TOWNSHIP**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 17, 2007**