

# **Twinsburg Township Summit County**

**Financial Statements  
December 31, 2008**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Twinsburg Township  
9833 Ravenna Road  
Twinsburg, Ohio 44087

We have reviewed the *Independent Auditors' Report* of Twinsburg Township, Summit County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2008 through December 31, 2008. 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 Auditors' 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 Auditors' 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 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

August 27, 2009

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# Twinsburg Township, Ohio

## Financial Statements For the Year Ended December 31, 2008

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## Independent Auditors' Report

Members of the Board of Trustees  
Twinsburg Township

We have audited the accompanying financial statements of Twinsburg Township, Ohio (the Township) as of and for the year ended December 31, 2008. These financial statements are the responsibility of the Township'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 our audit provide a reasonable basis for our opinion.

As described more fully 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 (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 Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2008. Instead of the combined funds the accompanying financial statements present for 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008. While the Township 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 Township has elected not to reformat its statements. Since this Township 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 two preceding paragraph, the financial statements referred to above for the year ended December 31, 2008 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, 2008 or its changes in financial position for the year then ended.

Also, in our 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, 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis 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, 2008. 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*, we have also issued our report dated June 30, 2009, on our consideration of the Township'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
June 30, 2009

# Twinsburg Township, Ohio

## Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances

**For the Year Ended December 31, 2008**

	Governmental Fund Types				Totals
	General	Special Revenue	Capital Projects	Fiduciary Funds	Memorandum Only
<b>Cash receipts:</b>					
Local taxes	\$ 345,409	\$ 1,450,790	\$ -	\$ -	\$ 1,796,199
Intergovernmental	2,152,353	215,890	543,819	-	2,912,062
Licenses, permits, and fees	-	55,218	-	-	55,218
Fines, forfeitures, and penalties	12,286	-	-	-	12,286
Earnings on investments	180,523	5,010	-	-	185,533
Other revenue	9,433	2,913	-	3,122	15,468
Total cash receipts	<u>2,700,004</u>	<u>1,729,821</u>	<u>543,819</u>	<u>3,122</u>	<u>4,976,766</u>
<b>Cash disbursements:</b>					
Current:					
General government	1,294,237	49,099	-	-	1,343,336
Public safety	-	1,341,944	-	-	1,341,944
Public works	-	507,545	1,412,846	-	1,920,391
Purchased services	-	-	-	-	-
Conservation – recreation	55,509	-	-	-	55,509
Other	35,000	-	-	-	35,000
Capital outlay	233,329	-	-	-	233,329
Total cash disbursements	<u>1,618,075</u>	<u>1,898,588</u>	<u>1,412,846</u>	<u>-</u>	<u>4,929,509</u>
Total receipts over/(under) disbursements	<u>1,081,929</u>	<u>(168,767)</u>	<u>(869,027)</u>	<u>3,122</u>	<u>47,257</u>
<b>Other financing sources/(uses):</b>					
Transfers-in	350,000	517,200	976,059	-	1,843,259
Transfers-out	(1,493,259)	-	(350,000)	-	(1,843,259)
Advances-in	66,867	-	66,867	-	133,734
Advances-out	(66,867)	-	(66,867)	-	(133,734)
Other financing sources	-	-	-	-	-
Other financing uses	(8,781)	-	-	-	(8,781)
Total other financing Sources/(uses)	<u>(1,152,040)</u>	<u>517,200</u>	<u>626,059</u>	<u>-</u>	<u>(8,781)</u>
Excess of cash receipts and other financing sources over/(under) cash disbursements and other financing uses	(70,111)	348,433	(242,968)	3,122	38,476
Fund cash balance, January 1, 2008	<u>2,414,617</u>	<u>1,759,641</u>	<u>474,522</u>	<u>12,158</u>	<u>4,660,938</u>
Fund cash balance, December 31, 2008	\$ <u>2,344,506</u>	\$ <u>2,108,074</u>	\$ <u>231,554</u>	\$ <u>15,280</u>	\$ <u>4,699,414</u>
Reserves for encumbrances	\$ <u>279,553</u>	\$ <u>98,330</u>	\$ <u>863,892</u>	\$ <u>-</u>	\$ <u>1,241,775</u>

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

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# Twinsburg Township, Ohio

Notes to the Financial Statements

**For the Year Ended December 31, 2008**

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## **Note 1: Summary of Significant Accounting Policies**

### **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, solid waste disposal and recycling, police and fire protection, and emergency medical services. The Township contracts with J&J Refuse to provide solid waste disposal and recycling 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 included in the fund cash balances. 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. Certificates of deposit 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, Ohio

Notes to the Financial Statements (continued)

## **For the Year Ended December 31, 2008**

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### **Note 1: Summary of Significant Accounting Policies (continued)**

#### ***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 three special tax levies that are used to pay for the cost of police protection provided by the Summit County Sheriff’s Department.
- Fire and Fire/EMS Funds – These funds receive money from two special tax levies that are 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:

- Boyle Parkway – This fund is used to account for JEDD monies and OPWC funds received and disbursed relative to the general improvement of Boyle Parkway.
- Heights Road Phase V Fund – This fund is used to account for Ohio Small Government Capital Improvements Commission monies received and disbursed relative to the general improvement of Rugby and Yale Streets.
- Heights Road Phase VI Fund – This fund is used to account for Ohio Small Government Capital Improvements Commission and CDBG monies received and disbursed relative to the general improvement of Rugby and Harvard Streets.
- Enterprise Parkway Phase II – This fund is used to account for JEDD monies and OPWC funds received and disbursed relative to the general improvement of Enterprise Parkway.

*Fiduciary Fund (Agency Fund):* This fund is purely custodial in nature and is used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individuals, organizations, or other governments. The Township’s agency fund accounts for monies held in escrow for local property development review services.

#### ***E. Budgetary Process***

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

# Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

## **For the Year Ended December 31, 2008**

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### **Note 1: Summary of Significant Accounting Policies (continued)**

#### ***E. Budgetary Process (continued)***

##### **Appropriations**

Budgetary expenditures (i.e., 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. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriations at any level of control. Any revisions that alter the appropriations among departments within a fund must first be approved by Township Trustees. Trustees may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. Unencumbered appropriations lapse at year end.

##### **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 2008 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. Accumulated Leave***

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the Township's basis of accounting.

#### ***H. Total columns on the 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.

# Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

## **For the Year Ended December 31, 2008**

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### **Note 2: Deposits and Investments**

In 2005, the Township adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This new standard revised the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Adoption of GASB Statement No. 40 had no effect on cash fund balances and change in cash fund balances in the prior or current year.

#### ***Deposits***

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

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

Inactive deposits are public deposits that the Township has identifies as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of 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 evidences 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.

At December 31, 2008, the carrying amount of the Township's deposits was \$4,699,414 and the bank balance was \$5,288,756.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

# Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

## **For the Year Ended December 31, 2008**

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### **Note 2: Deposits and Investments (continued)**

#### **Custodial Credit Risk**

Custodial Credit Risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned. The Township's policy is to place deposits with major local banks approved by the Board. Multiple financial institutions collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of December 31, 2008, deposits totaling \$750,000 were covered by Federal Depository Insurance and deposits of \$4,538,756 were uninsured and collateralized with a combination of pooled securities held in the Township's name.

#### **Investments**

State Statute, and Board resolutions authorize the Township to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse purchase 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 Township has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Township follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value.

#### **Interest Rate Risk**

The Township has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

#### **Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Township has no investment policy that would further limit its investment choices.

# Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

## **For the Year Ended December 31, 2008**

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### **Note 2: Deposits and Investments (continued)**

#### **Concentration of Credit Risk**

Concentration of credit risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The Township's investment policy places no limit on the amount it may invest in any one insurer. The Township's deposits in financial institutions represent 100 percent of its deposits.

#### **Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of December 31, the Township had no exposure to foreign currency rate risk.

The Township 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:

Demand deposits	\$ 1,568,457
Certificates of deposit	<u>3,130,957</u>
Total Cash and Cash Equivalents	\$ <u>4,699,414</u>

### **Note 3: Retirement Systems**

All Township full-time and part-time employees participate in the Ohio Public Employees Retirement System (OPERS). PERS is a cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008, PERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

# Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

## **For the Year Ended December 31, 2008**

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### **Note 4: Budgetary Activity**

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

#### Budgeted vs. Actual Receipts

Fund type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,934,204	\$ 3,050,004	\$ 115,800
Special revenue	2,073,622	2,247,021	173,399
Capital projects	3,679,655	1,519,878	(2,159,777)
Fiduciary	5,000	3,122	(1,878)
Total	\$ <u>8,692,481</u>	\$ <u>6,820,025</u>	\$ <u>(1,872,456)</u>

#### Budgeted vs. Actual Budgetary Basis Expenditures

Fund type	Appropriation Authority	Actual Expenditures	Variance
General	\$ 4,830,219	\$ 3,399,668	\$ 1,430,551
Special revenue	2,040,256	1,996,918	43,338
Capital projects	4,157,454	2,626,738	1,530,716
Fiduciary	17,158	-	17,158
Total	\$ <u>11,045,087</u>	\$ <u>8,023,324</u>	\$ <u>3,021,763</u>

### **Note 5: 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 February 20.

The second half payment is due the following July 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. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero percent for 2009.

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

# Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

**For the Year Ended December 31, 2008**

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## **Note 6: 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 medical, dental, vision, and life insurance coverage to eligible employees through private carriers.

### **Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Township (OTARMA), a risk sharing pool available to Ohio Townships. 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**

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,695,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

## Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

### **For the Year Ended December 31, 2008**

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#### **Note 6: Risk Management (continued)**

##### **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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

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

##### **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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$ 29,852,866</u>	<u>\$ 29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$5,853. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

## Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

### **For the Year Ended December 31, 2008**

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#### **Note 6: Risk Management (continued)**

##### **Financial Position (continued)**

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 detailed 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:

2006 – \$32,326  
2007 – \$23,243  
2008 – \$15,329

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.

#### **Note 7: Lease**

In early 2008, the lease agreement between the Township and the Summit County Port Authority was terminated. The Township has returned to their former location at 9833 Ravenna Road, Twinsburg, Ohio 44087.

In 2008, the Township entered into a one year sublease with LaFarge North American, Inc to sublease a salt storage facility located at 8530 Boyle Parkway, Twinsburg, Ohio 44087. In accordance with the sublease agreement, the Township makes quarterly rental payments to LaFarge North American, Inc. based on the amount of salt stored, at a rate of one dollar (\$1.00) per ton delivered.

Additionally, the Township entered into a one year lease agreement with Crooked Horn, LLC, an Ohio liability company, to lease a service garage located at 2063 Midway Drive, Twinsburg, Ohio 44087. The documents executed by the Township and Crooked Horn, LLC include a lease agreement, specifying Township and Crooked Horn, LLC's roles as lessee and lessor, respectively. In accordance with the lease agreement, the Township makes monthly rental payments of \$3,500 to Crooked Horn, LLC. Monthly payments are due on the last day of the month preceding each month of occupancy.

## Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

### **For the Year Ended December 31, 2008**

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#### **Note 8: 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.

Summit County Port Authority vs. Twinsburg Township, Ohio. Case Number 2008-11-8164, Summit County Court of Common Pleas.

The above referenced lawsuit was initiated by the Summit County Port Authority ("Port Authority") against the Township alleging that the Township breached its lease agreement ("Lease") with the Port Authority for the premises located at 7996 Darrow Road, Twinsburg, Ohio.

#### Facts Surrounding Summit County Port Authority Litigation:

The Township was a tenant in the referenced Premises owned by the Summit County Port Authority pursuant to Lease dated as of September 1, 2005. Pursuant to the terms of the Lease, the obligation of the Township to make annual rental payments under the Lease was subject to the Township annually appropriating the monies necessary for the Lessee to perform the obligations under the Lease for the succeeding year.

On or about December 19, 2007, the Township passed Resolution No. 91-07 which purported to make the annual appropriation for lease payments for calendar year 2008. In January 2008 the Township, by action of the Board, rescinded Resolution 91-07.

From January 2008 through April 2008 the Township and the Port Authority conducted negotiations to further the Township goal of extricating itself from any ongoing obligations under the Lease. During negotiations, counsel for the Port Authority acknowledged that the Lease was subject to annual appropriations and that subject to such appropriations there were no legal obligations upon the Township to continue to operate pursuant to the terms of the Lease.

The Township paid to the Port Authority full rental payments under the Lease for the period of January 1 through March 31, 2008. In addition the Township paid a lesser monthly payment (equivalent to the Port Authority's interest obligations on its outstanding bonds used to finance the Premises) for its occupancy of the Premises during the month of April 2008. The Township offered to remain in possession of the Premises through the balance of 2008 at such lesser occupancy cost but the Port Authority rejected such offer. The Township vacated the Premises prior to April 30, 2008 on demand of the Port Authority.

Except as hereinabove set forth the Township Trustees, the Township Trustees have taken no action to appropriate money for Lease payment for calendar year 2008, 2009, or any future time period.

## Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

### **For the Year Ended December 31, 2008**

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#### **Note 8: Contingent Liabilities (continued)**

In its complaint, the Port Authority seeks damages for breach of the Lease as well as a declaratory judgment with respect to the rights and obligations of the parties under the Lease.

The Township has counterclaimed against the Port Authority for a declaratory judgment of the rights of the parties under the Lease, for a rescission of the Lease and for a return of its \$550,000.00 “equity payment”

The lawsuit is currently in the discovery stage with each party requesting production of documents from the other as well as each party conducting depositions of individuals with knowledge of the facts and circumstances surrounding the execution and termination of the Lease.

The Trustees intentions are to vigorously defend the case in light of the strong belief that no contractual liability beyond the duly authorized appropriation can exist.

The Township has also been advised that the Summit County Humane Society has entered into an arrangement with the Port Authority to lease the Premises from the Port Authority with an option to purchase

#### **Note 9: 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.

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Members of the Board of Trustees  
Twinsburg Township, Ohio

We have audited the financial statements of the Township of Twinsburg, Ohio (the “Township”) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 30, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Control over Financial Reporting**

In planning and performing our audit, we considered the Township’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township’s internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Township’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Township’s financial statements that is more than inconsequential will not be prevented or detected by the Township’s internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township’s internal control.

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

Members of the Board of Trustees  
Twinsburg Township, Ohio

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance or other matters that we must report under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance that we have reported to the management of Twinsburg Township in a separate letter dated June 30, 2009.

This report is intended solely for the information and use of the Township elected officials (Board of Trustees and Fiscal Officer), Township Management, and the Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
June 30, 2009





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  
SEPTEMBER 8, 2009**