

Twinsburg Township Summit County

**Financial Statements
December 31, 2011**



Dave Yost • Auditor of State

Members of Council
Twinsburg Township
1790 Enterprise Pkwy
Twinsburg, OH 44087-2255

We have reviewed the *Independent Auditor's Report* of Twinsburg Township, Summit County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2011 through December 31, 2011. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 13, 2012

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Twinsburg Township, Ohio

Financial Statements For the Year Ended December 31, 2011

| Table of Contents | Page |
|---|-------------|
| Independent Auditor's Report | 1 |
| Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types | 3 |
| Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – All Fiduciary Fund Types | 4 |
| Notes to the Financial Statements | 5 |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 15 |

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Independent Auditor's 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, 2011. 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 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. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, the Township prepares its 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e., major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require, Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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 year ended December 31, 2011 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, 2011, or their changes in financial position for the year then ended.

Members of the Board of Trustees
Twinsburg Township

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 of the Township, and its combined cash receipts and disbursements for the year then ended on the accounting basis described in Note 1.

As described in Note 1, the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2012, 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
April 23, 2012

Twinsburg Township, Ohio

Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances – All Governmental Fund Types

For the Year Ended December 31, 2011

| | Governmental Fund Types | | | Totals Memorandum Only |
|--|-------------------------|---------------------|---------------------|------------------------------|
| | General | Special Revenue | Capital Projects | |
| Cash receipts: | | | | |
| Local taxes | \$ 409,205 | \$ 1,257,969 | \$ - | \$ 1,667,174 |
| Licenses, permits, and fees | 32,878 | 21,005 | - | 53,883 |
| Fines, forfeitures, and penalties | 5,910 | 900 | - | 6,810 |
| Intergovernmental | 2,656,890 | 198,452 | 147,654 | 3,002,996 |
| Earnings on investments | 23,981 | 26,448 | - | 50,429 |
| Other revenue | <u>35,711</u> | <u>2,625</u> | <u>-</u> | <u>38,336</u> |
| Total cash receipts | <u>3,164,575</u> | <u>1,507,399</u> | <u>147,654</u> | <u>4,819,628</u> |
| Cash disbursements: | | | | |
| Current: | | | | |
| General government | 1,109,248 | 18,161 | - | 1,127,409 |
| Public safety | - | 1,025,343 | - | 1,025,343 |
| Public works | 10,500 | 532,907 | 74,642 | 618,049 |
| Conservation – recreation | 164,173 | - | 141,702 | 305,875 |
| Other | 1,000 | - | - | 1,000 |
| Capital outlay | 558,617 | - | - | 558,617 |
| Debt service: | | | | |
| Redemption of principal | 145,000 | - | - | 145,000 |
| Interest and other fiscal charges | <u>26,039</u> | <u>-</u> | <u>-</u> | <u>26,039</u> |
| Total cash disbursements | <u>2,014,577</u> | <u>1,576,411</u> | <u>216,344</u> | <u>3,807,332</u> |
| Total receipts over (under) disbursements | <u>1,149,998</u> | <u>(69,012)</u> | <u>(68,690)</u> | <u>1,012,296</u> |
| Other financing sources (uses): | | | | |
| Transfers-in | - | 500,000 | 28,868 | 528,868 |
| Transfers-out | (528,868) | - | - | (528,868) |
| Advances-in | 122,834 | 10,000 | 112,834 | 245,668 |
| Advances-out | (122,834) | (10,000) | (112,834) | (245,668) |
| Other financing sources | 163 | - | - | 163 |
| Other financing uses | <u>(979)</u> | <u>-</u> | <u>-</u> | <u>(979)</u> |
| Total other financing sources (uses) | <u>(529,684)</u> | <u>500,000</u> | <u>28,868</u> | <u>(816)</u> |
| Excess of cash receipts and other financing sources over (under) cash disbursements and other financing uses | 620,314 | 430,988 | (39,822) | 1,011,480 |
| Fund cash balance, January 1, 2011 | <u>1,038,025</u> | <u>2,327,834</u> | <u>39,822</u> | <u>3,405,681</u> |
| Restricted | - | 2,658,345 | - | 2,658,345 |
| Committed | - | 100,477 | - | 100,477 |
| Unassigned | <u>1,658,339</u> | <u>-</u> | <u>-</u> | <u>1,658,339</u> |
| Fund cash balance, December 31, 2011 | \$ <u>1,658,339</u> | \$ <u>2,758,822</u> | \$ <u>-</u> | \$ <u>4,417,161</u> |

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

Twinsburg Township, Ohio

Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances – Fiduciary Fund Types

For the Year Ended December 31, 2011

| | <u>Fiduciary Fund Types</u> |
|----------------------------------|-----------------------------|
| | <u>Agency</u> |
| Operating cash disbursements: | |
| Other | \$ <u>5,350</u> |
| Net change in fund cash balances | (5,350) |
| Fund cash balances, January 1 | <u>14,880</u> |
| Fund cash balances, December 31 | \$ <u><u>9,530</u></u> |

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

Twinsburg Township, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2011

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 maintains various public properties (including parks and recreation and conservation areas) and provides road and bridge maintenance, residential solid waste disposal and recycling, police protection and fire protection, and emergency medical services. The Township contracts with J&J Refuse to provide residential solid waste disposal and recycling, contracts with the Summit County Sheriff's Department for police protection, contracts with the City of Twinsburg to provide fire protection and emergency medical services, and provides all other services with a combination of in-house staff and outside vendors as needed.

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

For the Year Ended December 31, 2011

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:

- Holly II Fund – This fund is used to account for Ohio Public Works Commission monies and other financial resources received and disbursed for the Holly Smith Property Improvement Project.
- Anthony/Herrick Fund – This fund is used to account for Ohio Public Works Commission monies received and disbursed relative to the general improvement of Anthony Lane and Herrick Road.
- 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 Cambridge and Harvard Streets.

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

For the Year Ended December 31, 2011

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 the Board of 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 2011 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. Fund Balance

For December 31, 2011, the Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 divides fund balances into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental fund resources. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted: The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Township Trustees.

Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2011

Note 1: Summary of Significant Accounting Policies (continued)

F. Fund Balance (continued)

Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit these amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Township Trustees.

Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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.

I. 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, 2011

Note 2: Deposits and Investments

The Township maintains a deposit 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 | \$ 3,042,944 |
| Certificates of deposit | 803,747 |
| Manuscript Bond | <u>580,000</u> |
| Total Cash and Cash Equivalents | \$ <u>4,426,691</u> |

At December 31, 2011, the carrying amount of the Township's deposits was \$3,846,691 and the bank balance was \$4,006,273. Deposits totaling \$764,305 were covered by Federal Depository Insurance and deposits of \$3,241,968 were uninsured and collateralized with a combination of pooled securities held by financial institutions in their own names and pledged securities held by financial institutions in the Township's name.

Note 3: Retirement Systems

All Township full-time and part-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple employer plan. This plan provides retirement benefits, including post-retirement 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 2011, OPERS members contributed 10% of their gross salaries. The Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

Note 4: Budgetary Activity

Budgetary activity for the years ended December 31, 2011 follows:

Budgeted vs. Actual Receipts

| Fund type | Budgeted <u>Receipts</u> | Actual <u>Receipts</u> | <u>Variance</u> |
|------------------|-----------------------------|---------------------------|---------------------|
| General | \$ 3,307,684 | \$ 3,164,738 | \$ 142,946 |
| Special revenue | 4,357,880 | 2,007,399 | 2,350,481 |
| Capital projects | 4,854,551 | 176,522 | 4,678,029 |
| Fiduciary | <u>24,880</u> | <u>-</u> | <u>24,880</u> |
| Total | \$ <u>12,544,995</u> | \$ <u>5,348,659</u> | \$ <u>7,196,336</u> |

Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2011

Note 4: Budgetary Activity (continued)

Budgeted vs. Actual Budgetary Basis Expenditures

| Fund type | Appropriation <u>Authority</u> | Actual <u>Expenditures</u> | <u>Variance</u> |
|------------------|-----------------------------------|-------------------------------|-------------------|
| General | \$ 3,189,136 | \$ 2,848,166 | \$ 340,970 |
| Special revenue | 1,969,633 | 1,844,474 | 125,159 |
| Capital projects | 216,344 | 216,344 | - |
| Fiduciary | <u>14,880</u> | <u>5,350</u> | <u>9,530</u> |
| Total | \$ <u>5,389,993</u> | \$ <u>4,914,334</u> | \$ <u>475,659</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 on non-residential and non-agricultural property owners, who must file a list of such property to the County by April 30.

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

Note 6: Risk Management

Commercial Insurance

The Township offers medical, dental, vision, and life insurance coverage to elected officials and eligible employees through private carriers.

Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2011

Note 6: Risk Management (continued)

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP) which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims. The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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, 2010 and 2009 (the latest information available at the time of issuance):

| | <u>2010</u> | <u>2009</u> |
|-------------|----------------------|----------------------|
| Assets | \$ 35,855,252 | \$ 38,982,088 |
| Liabilities | <u>(10,664,724)</u> | <u>(12,880,766)</u> |
| Net Assets | <u>\$ 25,190,528</u> | <u>\$ 26,101,322</u> |

At December 31, 2010 and 2009, respectively, the liabilities noted above include approximately \$9.9 million and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 million and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$19,156.

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. The Township's contributions to OTARMA for the years ending December 31, 2011, 2010, and 2009 were \$25,887, \$19,849, and \$17,023, respectively.

Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2011

Note 6: Risk Management (continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to 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 occurred or was reported prior to the withdrawal.

Note 7: Leases

In 2010, the Township entered into a two year sublease with the Humane Society of Summit County Foundation, a nonprofit corporation, to sublease a portion of a parcel of real estate located at 7996 Darrow Road, Twinsburg, Ohio 44087. In accordance with the sublease agreement, the Township makes monthly rental payments to the Humane Society of Summit County of \$3,000 beginning August 2010 and ending April 2011 and \$3,500 beginning May 2011 and ending December 2012.

In 2011, the Township also entered into a five year lease with Deere Credit, Inc., a financing lender for John Deere equipment, to lease a wheel loader to increase overall Service Department efficiency. In accordance with the lease agreement, the Township made a \$25,000 payment in July 2011 and makes annual payments of \$27,385 to Deere Credit Inc. beginning July 2012 and ending July 2015.

Also in 2011, the Township entered into a five year lease with Toshiba Financial Services, a financing lender for Toshiba equipment, to lease two multi-functional copiers. In accordance with the lease agreement, the Township makes monthly payments to Toshiba Financial Services of \$291 beginning November 4, 2011 and ending on October 3, 2016.

Note 8: Contingent Liabilities

The Township is a party to various legal proceedings. The Township's management is of the opinion that the ultimate outcome of such litigation will not have a material adverse effect on the Township's financial position.

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.

Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2011

Note 10: Manuscript Debt

In 2010, the Township issued manuscript debt in accordance with Ohio Revised Code Section 505.262. These bonds will be repaid on December 1 each year with the final maturity date of December 1, 2019 with an interest rate of 1.50% per year commencing on December 1, 2011. Manuscript debt outstanding at December 31, 2011 was as follows:

| | <u>Principal Outstanding 12/31/10</u> | <u>Additions</u> | <u>Reductions</u> | <u>Principal Outstanding 12/31/11</u> |
|------------------------------|---|------------------|-------------------|---|
| Manuscript Bond, Series 2010 | \$ 725,000 | \$ - | \$ 145,000 | \$ 580,000 |

Principal and interest requirements to retire the long-term bonds outstanding at December 31, 2011 are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|-------------------|------------------|-------------------|
| 2012 | \$ 72,500 | \$ 8,760 | \$ 81,260 |
| 2013 | 72,500 | 7,665 | 80,165 |
| 2014 | 72,500 | 6,570 | 79,070 |
| 2015 | 72,500 | 5,475 | 77,975 |
| 2016 | 72,500 | 4,380 | 76,880 |
| 2017- 2019 | <u>217,500</u> | <u>6,570</u> | <u>224,070</u> |
| Total | \$ <u>580,000</u> | \$ <u>39,420</u> | \$ <u>619,420</u> |

Note 11: Subsequent Events

In preparing these financial statements, the Township has evaluated events and transactions for potential recognition or disclosure through April 23, 2012, the date the financial statements were available to be issued.

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**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, 2011, and have issued our report thereon dated April 23, 2012, 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 and the Township adopted Governmental Accounting Standards Board Statement No. 54 as disclosed in Note 1. 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

Management of the Township is responsible for establishing and maintaining effective 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 opinion 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 *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township’s financial statements will not be prevented, or detected and corrected on a timely basis.

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 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 of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 & Parichi, Inc.

Cleveland, Ohio
April 23, 2012



Dave Yost • 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
JUNE 26, 2012**