



**Auditor of State
Betty Montgomery**

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	19

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Twinsburg Township
Summit County
9833 Ravenna Road
Twinsburg, Ohio 44087

To the Board of Trustees:

We have audited the accompanying financial statements of Twinsburg Township (the Township) as of and for the years ended December 31, 2002 and 2001. 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 that our audit provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2003 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 grants. 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.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 13, 2003

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$225,662	\$1,192,765			\$1,418,427
Intergovernmental	185,186	132,962	\$199,156		517,304
Special Assessments			111		111
Licenses, Permits, and Fees		100,381			100,381
Fines, Forfeitures, and Penalties	6,713				6,713
Earnings on Investments	17,215	323			17,538
Other Revenue	39,517	58,867			98,384
Total Cash Receipts	<u>474,293</u>	<u>1,485,298</u>	<u>199,267</u>	<u>\$0</u>	<u>2,158,858</u>
Cash Disbursements:					
Current:					
General Government	425,656	68,345			494,001
Public Safety	0	986,937			986,937
Public Works	21,561	351,215			372,776
Health	12,598				12,598
Purchased Services				2,582	2,582
Conservation - Recreation	100,738				100,738
Capital Outlay	198,647	53,694	199,156		451,497
Total Cash Disbursements	<u>759,200</u>	<u>1,460,191</u>	<u>199,156</u>	<u>2,582</u>	<u>2,421,129</u>
Total Receipts Over/(Under) Disbursements	<u>(284,907)</u>	<u>25,107</u>	<u>111</u>	<u>(2,582)</u>	<u>(262,271)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		50,000			50,000
Transfers-Out	(50,000)				(50,000)
Other Sources	35,799			1,020	36,819
Total Other Financing Receipts/(Disbursements)	<u>(14,201)</u>	<u>50,000</u>	<u>0</u>	<u>1,020</u>	<u>36,819</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(299,108)	75,107	111	(1,562)	(225,452)
Fund Cash Balances, January 1	313,503	1,057,616	1,056	2,582	1,374,757
Fund Cash Balances, December 31	<u>\$14,395</u>	<u>\$1,132,723</u>	<u>\$1,167</u>	<u>\$1,020</u>	<u>\$1,149,305</u>
Reserves for Encumbrances, December 31	<u>\$10,924</u>	<u>\$66,384</u>	<u>\$0</u>	<u>\$0</u>	<u>\$77,308</u>

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

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$217,516	\$962,897			\$1,180,413
Intergovernmental	181,736	277,394	\$56,728		515,858
Special Assessments			57		57
Licenses, Permits, and Fees		52,205			52,205
Fines, Forfeitures, and Penalties	10,746				10,746
Earnings on Investments	40,528	1,063			41,591
Other Revenue	76,195	1,603			77,798
	<u>526,721</u>	<u>1,295,162</u>	<u>56,785</u>	<u>\$0</u>	<u>1,878,668</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	297,052	59,794			356,846
Public Safety		834,690			834,690
Public Works	16,740	281,794	73		298,607
Health	52,484				52,484
Conservation - Recreation	37,401				37,401
Capital Outlay	33,046	12,969	56,673		102,688
	<u>436,723</u>	<u>1,189,247</u>	<u>56,746</u>	<u>0</u>	<u>1,682,716</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>89,998</u>	<u>105,915</u>	<u>39</u>	<u>0</u>	<u>195,952</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		35,000			35,000
Transfers-Out	(35,000)				(35,000)
Refund of Prior Year Expenditures		141,773			141,773
Other Sources	8,116				8,116
	<u>(26,884)</u>	<u>176,773</u>	<u>0</u>	<u>0</u>	<u>149,889</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	63,114	282,688	39	0	345,841
Fund Cash Balances, January 1	250,389	774,928	1,017	2,582	1,028,916
Fund Cash Balances, December 31	<u>\$313,503</u>	<u>\$1,057,616</u>	<u>\$1,056</u>	<u>\$2,582</u>	<u>\$1,374,757</u>
Reserves for Encumbrances, December 31	<u>\$44,264</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$44,264</u>

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

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Twinsburg Township, Summit County, (the Township) is a body corporate and politic established to exercise 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.

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

B. Basis of Accounting

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

These statements include adequate disclosure 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:

1. General Fund

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

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific 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.

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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.

3. 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 Herrick Road.

4. 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.

1. 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.

2. 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.

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. 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. The Township did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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:

	<u>2002</u>	<u>2001</u>
Demand deposits	(\$80,695)	(\$40,243)
Repurchase agreements	<u>1,230,000</u>	<u>1,415,000</u>
Total deposits and investments	<u><u>\$1,149,305</u></u>	<u><u>\$1,374,757</u></u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

The negative demand deposit balances are covered by resources that are available through the overnight repurchase agreement.

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$671,068	\$510,092	(\$160,976)
Special Revenue	1,401,207	1,535,298	134,091
Capital Projects	705,986	199,267	(506,719)
Fiduciary	684,429	1,020	(683,409)
Total	<u>\$3,462,690</u>	<u>\$2,245,677</u>	<u>(\$1,217,013)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,006,230	\$820,124	\$186,106
Special Revenue	2,265,011	1,526,575	738,436
Capital Projects	278,350	199,156	79,194
Fiduciary	2,660	2,582	78
Total	<u>\$3,552,251</u>	<u>\$2,548,437</u>	<u>\$1,003,814</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$614,384	\$534,837	(\$79,547)
Special Revenue	1,152,307	1,471,935	319,628
Capital Projects	2,060	56,785	54,725
Fiduciary	683,363	0	(683,363)
Total	<u>\$2,452,114</u>	<u>\$2,063,557</u>	<u>(\$388,557)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$833,532	\$515,987	\$317,545
Special Revenue	1,894,662	1,189,247	705,415
Capital Projects	391,628	56,746	334,882
Fiduciary	2,582	0	2,582
Total	<u>\$3,122,404</u>	<u>\$1,761,980</u>	<u>\$1,360,424</u>

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

Contrary to Ohio Revised Code Section 5705.10, the Township posted restricted funds into the General Fund.

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

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 payments, 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.

5. RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, 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 2002 and 2001, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

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 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 townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RISK MANAGEMENT (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>(9,197,512)</u>	<u>(9,379,003)</u>
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>(1,204,326)</u>	<u>(647,667)</u>
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

7. 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, 2002 AND 2001
(Continued)**

8. 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.

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Twinsburg Township
Summit County
9833 Ravenna Road
Twinsburg, Ohio 44087

To the Board of Trustees:

We have audited the accompanying financial statements of Twinsburg Township (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 13, 2003. 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.

Compliance

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 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 13, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-005.

A material weakness is a 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition describe above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 13, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 13, 2003

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2002-001

Finding Repaid Under Audit – Excessive Food and Beverage Purchases

During the testing of the Township’s credit card transactions for 2002 and 2001, we noted a number of expenditures, primarily food and beverage, for which there was no statutory authority and no resolutions demonstrating a proper public purpose.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a proper public purpose. This purpose must be memorialized with a duly enacted ordinance or resolution.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Atty. Gen. No. 80-074.

As a result of the above transactions, \$2,919.81 in unauthorized food and beverage purchases occurred during the current audit period.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the following Twinsburg Township officials and employees in their respective amounts and in favor of the Twinsburg Township General Fund:

<u>Employee/Bonding Company</u>	<u>Amount Owed</u>	<u>Amount Repaid</u>
Tania Lardell (Office Administrator)	\$385.00	\$385.00
Robert Gaines (Road Foreman)	163.98	163.98
Michael Odum (Fire Prevention Officer)/OTARMA	114.35	114.35
Alice Kanieski (Zoning Administrator) /OTARMA	299.01	299.01
<u>Clerk or Trustee/Bonding Company</u>	<u>Amount Owed</u>	<u>Amount Repaid</u>
Janice Glover/OTARMA	\$1,285.68	\$1,285.68
Arthur Sigler/OTARMA	515.69	515.69
Gregory Glover/OFIC(2001)/OTARMA(2002)	156.10	156.10

The above finding was repaid on August 22, 2003.

FINDING NUMBER 2002-002

Finding Repaid Under Audit – Overpayment of Fire Prevention Officer

As a result of a clerical error made by the Township Clerk in calculating payroll, Michael Odum, Fire Prevention Officer, was overcompensated by \$101 during the fiscal year ended December 31, 2002. The Township incorrectly paid Mr. Odom an annual salary of \$10,385 when the total amount paid should have been \$10,284, based on the compensation schedule approved by the Board of Trustees in Organizational Resolution 01-02.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the following Twinsburg Township employees and in favor of the Twinsburg Township Fire Levy Fund:

Michael Odum, Fire Prevention Officer, and his bonding company, OTARMA, in the amount of \$101.

Janice Glover, Township Clerk, and her bonding company, OTARMA, jointly and severally, in the amount of \$101.

The above finding was repaid on June 24, 2003.

Noncompliance Citations

FINDING NUMBER 2002-003

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two “exceptions” to the above requirements:

- Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- If the amount involved is less than \$1,000 (\$3,000 after April 7, 2003), the Township Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

During 2002 and 2001, 31% of expenditures tested were not certified by the Township Clerk prior to incurring the obligation. In addition, neither of the two exceptions noted above were utilized. The Township should certify the availability of funds prior to incurring the obligation for expenditures. All Township employees should be informed of the requirements of Ohio Rev. Code Section 5705.41(D). The Township should consider the use of Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41(D) to avoid future noncompliance.

Noncompliance Citations (Continued)

FINDING NUMBER 2002-004

Ohio Rev. Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established.

Revenue received through Homestead and Rollback reimbursements was incorrectly posted to the General Fund, despite the fact that these revenues were legally restricted to expenditures for specified purposes. In fiscal year 2002, \$68,262 was posted to the General Fund; however, the amount should have been divided between the following Special Revenue Funds: Road and Bridge Fund (\$6,532), Garbage/Waste Disposal Fund (\$3,806), Police Levy Fund (\$18,416), Fire Levy Fund (\$16,159), and the Fire/EMS Fund (\$23,349). Similarly, in fiscal year 2001, \$48,364 was posted to the General Fund; however, the amount should have been divided between the following Special Revenue Funds: Road and Bridge Fund (\$5,863), Garbage/Waste Disposal Fund (\$3,478), Police Levy Fund (\$16,759), Fire Levy Fund (\$7,018), and the Fire/EMS Fund (\$15,246).

The effects of this improper posting of revenue were reversed by the Clerk within the Township's ledgers (in 2003) and on the combined financial statements. In order to avoid illegally spending restricted funds, we recommend that the Township post revenue in accordance with the respective County Tax Settlement Sheets that clearly delineate the proper allocation of these Homestead and Rollback receipts.

Reportable Condition

FINDING NUMBER 2002-005

Use of Credit Cards

The Township holds consumer credit cards (approximately 8) that are intended to be used by employees to purchase materials, supplies and other items necessary for the operation of the Township. During the testing of expenditures related to these credit cards and a review of the Township's Organizational Resolution, the following was noted:

- The Township has not formally documented and communicated definitive guidelines specifying employees authorized to use credit cards, the types of expenses that may be paid by credit card or the documentation, review, and approval that should support credit card payments.
- Substantially all employees of the Township maintain and use a credit card issued in the Township's name.
- In several instances, adequate receipts were not available to support charges incurred.
- The Township permitted an outside vendor to use a Township credit card.

These conditions could result, and, in fact, did result, in unallowable charges being incurred (see Finding Number 2002-001).

Reportable Condition (Continued)

FINDING NUMBER 2002-005 (Continued)

Use of Credit Cards (Continued)

To improve accountability over credit card expenditures, the Board of Trustees should implement formal written policies and procedures to clearly communicate those persons authorized to use credit cards and that the credit card system is intended for incidental use only and should not replace the requisition and purchase order process. These policies and procedures should communicate allowable and reimbursable expenses, the documentation required to support expenses, and required review and approval procedures. Furthermore, these policies and procedures should include specific language to address expenses that may arise in connection with travel, overtime and public meetings. To the extent such revisions are not feasible, the Township should consider eliminating the use of credit cards. By developing stronger controls over the Township's credit card use, the risk of potential misuse will be reduced.

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-40977-001	Finding for Recovery Repaid Under Audit; Trustees and Clerk not compensated in accordance with Ohio Rev. Code Sections 505.24 and 507.09	No	Partially corrected. Reported in current audit Management Letter.
2000-40977-002	Ohio Rev. Code Section 5705.39; appropriations exceeded estimated resources	Yes	Fully corrected.
2000-40977-003	Ohio Rev. Code Section 5705.41(D); failure to certify funds	No	Not corrected; see Finding Number 2002-003
2000-40977-004	Ohio Rev. Code Section 135.22; failure to complete annual continuing education	Yes	Fully corrected.
2000-40977-005	Ohio Rev. Code Section 5705.10; restricted funds posted to the General Fund	No	Not corrected; see Finding Number 2002-004
2000-40977-006	Reportable Condition; persistent incorrect posting of transactions, inadequate and untimely bank reconciliations and failure to provide Trustees a comprehensive financial reporting package	No	Partially corrected. Reported in current audit Management Letter.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
NOVEMBER 6, 2003**