

Twinsburg Township

Financial Condition

As of

December 31, 2003 and 2004

Together with Auditor's Report



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Twinsburg Township, Summit County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2003- December 31, 2004. 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's Office (AOS). 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 AOS 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 AOS permits.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 10, 2006

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TWINSBURG TOWNSHIP

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Independent Auditor's Report

Board of Twinsburg Township
Summit County, Ohio

I have audited the accompanying financial statements of Twinsburg Township as December 31, 2003 and 2004 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

Revisions to accounting principles generally accepted in the United States of America, would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow accounting principles generally accepted in the United States of America, generally accepted auditing standards requires me to include the following paragraph if the statements do not substantially conform to the new accounting principles generally accepted in the United States of America, 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 accounting principles generally accepted in the United States of America, 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. My opinion on the fair presentation of the amounts reported pursuant to its non-accounting principles generally accepted in the United States of America, basis is in the second following paragraph.

In my opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2003 and 2004, or its changes in financial position for the year then ended.

Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Twinsburg Township as of December 31, 2003 and 2004, and its combined cash receipts and disbursements for the year then ended, on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles in the United States of America also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with Government Auditing Standards, I have also issued a report dated October 26, 2005 on my consideration of Twinsburg Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. While I did not opine on the internal control over financial reporting or on compliance, that report describes the scope of my testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards. It should be read in conjunction with this report in assessing the results of my audit.

Kevin L. Penn, Inc.

October 26, 2005

Twinsburg Township
Summit County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2003

	Governmental Fund Types				Totals
	General	Special Revenue	Capital Projects	Fiduciary Funds	(Memorandum Only)
Cash Receipts:					
Local Taxes	\$ 404,318	\$ 1,053,251	\$ -	\$ -	\$ 1,457,569
Intergovernmental	1,123,120	137,486	132,637		1,393,243
Special Assessments			4,845		4,845
Licenses, Permits, and Fees		89,080			89,080
Fines, Forfeitures, and Penalties	4,079				4,079
Earnings on Investments	11,238				11,238
Other Revenue	1,440	8,303		14,737	24,480
Total Cash Receipts	1,544,195	1,288,120	137,482	14,737	2,984,534
Cash Disbursements:					
Current:					
General Government	386,766	72,696			459,462
Public Safety		858,518			858,518
Public Works	22,055	336,831			358,886
Health	26,878				26,878
Conservation - Recreation	89,521		18		89,539
Capital Outlay	92,979	72,194	155,940		321,113
Total Cash Disbursements	618,199	1,340,239	155,958		2,114,396
Total Receipts Over/(Under) Disbursements	925,996	(52,119)	(18,476)	14,737	870,138
Other Financing Receipts/(Disbursements)					
Transfers-In		202,540	55,653		258,193
Transfers-Out	(258,193)				(258,193)
Other Financing Sources	13,471			8,170	21,641
Other Financing Uses				(3,959)	(3,959)
Total Other Financing Receipts/(Disbursements)	(244,722)	202,540	55,653	4,211	17,682
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	681,274	150,421	37,177	18,948	887,820
Fund Cash Balance - January 1, 2003	14,395	1,132,723	1,167	1,020	1,149,305
Fund Cash Balance - December 31, 2003	\$ 695,669	\$ 1,283,144	\$ 38,344	\$ 19,968	\$ 2,037,125
Reserves for Encumbrances, December 31, 2003		\$ 8,040			\$ 8,040

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

Twinsburg Township
Summit County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2004

	Governmental Fund Types				Totals
	General	Special Revenue	Capital Projects	Fiduciary Funds	(Memorandum Only)
Cash Receipts:					
Local Taxes	\$ 265,887	\$ 1,157,800		\$ -	\$ 1,423,687
Intergovernmental	1,891,030	224,199			2,115,229
Special Assessments			\$ 640		640
Licenses, Permits, and Fees	4,619	82,095			86,714
Fines, Forfeitures, and Penalties	5,395				5,395
Earnings on Investments	31,532				31,532
Other Revenue	6,467	2,205		8,145	16,817
Total Cash Receipts	2,204,930	1,466,299	640	8,145	3,680,014
Cash Disbursements:					
Current:					
General Government	621,317	78,061	32		699,410
Public Safety		1,068,451			1,068,451
Public Works	33,318	268,793	32,405		334,516
Conservation - Recreation	25,501				25,501
Capital Outlay	127,981				127,981
Total Cash Disbursements	808,117	1,415,305	32,437	-	2,255,859
Total Receipts Over/(Under) Disbursements	1,396,813	50,994	(31,797)	8,145	1,424,155
Other Financing Receipts/(Disbursements)					
Transfers-In		155,000	322,531		477,531
Transfers-Out	(462,794)			(14,737)	(477,531)
Advances-In		3,036			3,036
Advances-Out	(3,036)				(3,036)
Other Financing Sources	1,507				1,507
Other Financing Uses	(34,970)			(862)	(35,832)
Total Other Financing Receipts/(Disbursements)	(499,293)	158,036	322,531	(15,599)	(34,325)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	897,520	209,030	290,734	(7,454)	1,389,830
Fund Cash Balance - January 1, 2004	695,669	1,283,144	38,344	19,968	2,037,125
Fund Cash Balance - December 31, 2004	\$ 1,593,189	\$ 1,492,174	\$ 329,078	\$ 12,514	\$ 3,426,955
Reserves for Encumbrances, December 31, 2004	\$ 177,566	\$ 1,071			\$ 178,637

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

TWINSBURG TOWNSHIP
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003 and 2004

NOTE 1 - DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION

(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY

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

B. BASIS OF ACCOUNTING:

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

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

C. CASH AND INVESTMENTS:

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

Investments in repurchase agreements are valued at cost.

D. FUND ACCOUNTING

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

Governmental Fund Types:

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

TWINSBURG TOWNSHIP
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003 and 2004

NOTE 1 - DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION

(As Required by Various Statutes)

D. FUND ACCOUNTING (continued)

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

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

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

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

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

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

E. BUDGETARY PROCESS

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

APPROPRIATIONS

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

TWINSBURG TOWNSHIP
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003 and 2004

NOTE 1 - DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION

(As Required by Various Statutes)

E. BUDGETARY PROCESS (continued)

ENCUMBRANCES

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. 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 the 2003 and 2004 budgetary activity appears in Note 4.

ESTIMATED RESOURCES

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

F. PROPERTY, PLANT AND EQUIPMENT

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

G. UNPAID VACATION AND SICK LEAVE

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

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

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

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS

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:

TWINSBURG TOWNSHIP
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003 and 2004

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

	2003	2004
Demand Deposits	\$ 67,125	\$(93,045)
Repurchase Agreements	<u>1,970,000</u>	<u>3,520,000</u>
Total deposits and investments	<u>\$ 2,037,125</u>	<u>\$ 3,426,955</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.

The Summit County Auditor acts as fiscal officer and the Summit County Treasurer acts as custodian of the moneys of the Township. Summit County maintains cash and investment pool used by all funds of the County and includes custodial funds for which the County Treasurer is custodian. It is impracticable at this time to differentiate Township moneys from the County's cash and investment pool, and therefore disclosure of pooled cash and investments has only been made as part of the County's financial statements.

NOTE 3: PENSION PLAN

Ohio Public Employees Retirement System

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

- The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

TWINSBURG TOWNSHIP
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003 and 2004

NOTE 3: PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 13.55 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$31,493, \$25,177, and \$23,375, respectively.

NOTE 4: POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

TWINSBURG TOWNSHIP
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003 and 2004

NOTE 4: POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

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

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

TWINSBURG TOWNSHIP
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003 and 2004

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2004 follows:

2003 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,509,561	\$ 1,557,666	\$ 48,105
Special Revenue	1,631,649	1,490,660	(140,989)
Capital Projects	193,135	193,135	-
Fiduciary	-	22,907	22,907
Total	\$ 3,334,345	\$ 3,264,368	\$ (69,977)

2003 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,118,527	\$ 876,392	\$ 242,135
Special Revenue	2,182,934	1,348,279	834,655
Capital Projects	191,463	155,958	35,505
Fiduciary	4,690	3,959	731
Total	\$ 3,497,614	\$ 2,384,588	\$ 1,113,026

2004 Budgeted vs Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,858,224	\$ 2,206,437	\$ 348,213
Special Revenue	1,704,277	1,621,299	(82,978)
Capital Projects	706,156	323,171	(382,985)
Fiduciary	10,000	8,145	(1,855)
Total	4,278,657	\$ 4,159,052	\$ (119,605)

2004 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,170,215	\$ 1,483,447	\$ 686,768
Special Revenue	1,752,415	1,416,376	336,039
Capital Projects	744,564	32,437	712,127
Fiduciary	29,968	15,599	14,369
Total	\$ 4,697,162	\$ 2,947,859	\$ 1,749,303

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, 2003 and 2004

NOTE 6 - PROPERTY TAXES

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

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

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

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

NOTE 7 – RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

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

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Township. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member 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, 2003 and 2004

NOTE 7 – 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 \$1,250,000 for 2003 and 2004. 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.

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.

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.



Kevin L.
Penn, Inc.

Certified Public Accountant

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

Board of Twinsburg Township
Summit County, Ohio

I have audited the financial statements of Twinsburg Township as of and for the year ended December 31, 2003 and 2004, and have issued my report thereon dated October 26, 2005, wherein I noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. I conducted my audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Twinsburg Township 's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Twinsburg Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as 2004-1 and 2004-2. I also noted certain additional matters that I reported to management of Twinsburg Township in a separate letter dated October 26, 2005.

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. My 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, I believe that none of the reportable conditions described above, is a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Twinsburg Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 2004-1 and 2004-2. I also noted certain additional matters that I reported to management of Twinsburg Township in a separate letter dated October 26, 2005.

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

Kevin L. Penn, Inc.

October 26, 2005

Twinsburg Township
Summit County

Schedule of Findings
December 31, 2003 and 2004

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

Reportable Condition

2004-1

Use of Credit Cards

Condition:

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

Criteria:

Receipts from the various vendors should be obtained and reviewed prior to the payment of credit card transactions. Payments should not be made from the statement only. Furthermore, credit card payments should be made by the due date on the credit card statement.

Effect:

Could result in questioned costs.

Cause:

Oversight by management.

Recommendation:

In order to improve administrative internal controls pertaining to credit card transactions, I recommend the monitoring of credit card transactions and payments. In addition, adequate receipts should be obtained prior to the issuance of a warrant. Furthermore, payments should be made by the due date, in order to eliminate finance and late payment charges. By performing these procedures, the risk of incurring potential questioned costs will be significantly reduced.

Auditee's Response:

The Township of Twinsburg has adopted a resolution to establish a credit card policy as of December 29, 2003. This policy provides the following guidelines: 1) the credit card may only be used for legitimate Township purposes, and the person using the credit card must first obtain the permission of the Township Clerk, to be sure there exists available funds to pay for the proposed purchase. 2) Whenever the Township credit card is used, a specific receipt in addition to the signed credit card receipt must be obtained listing the items purchased and the amount for each. That receipt must be presented to the Township Clerk as soon as possible to justify the use of the Township credit card and to clarify that the purchases are Township-related. 3) In no event shall the Township credit card be used for any personal purchases.

Twinsburg Township
Summit County

Schedule of Findings
December 31, 2003 and 2004

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

2004-2

Cellular Phone

Condition:

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

Criteria:

Charges in excess of the monthly service plan should be the responsibility of the employee and not the Township.

Effect:

There was a total of \$3,081.91 in excess charges paid by the Township. \$2,597.71 during the 2003 calendar year and \$484.20 during the 2004 calendar year.

Cause:

Oversight by management.

Recommendation:

In order to improve administrative internal controls pertaining to cellular phone usage, I recommend monitoring on a monthly basis the cellular phone usage. By performing this procedure, excess charges will be paid by the employee responsible as oppose to the Township.

Auditee's Response:

The Township of Twinsburg has adopted a resolution to establish a cellular phone policy as of December 30, 2004. This policy provides guidelines for monitoring cellular telephone usage patterns. In addition, a new agreement has been executed with the service provider.

Twinsburg Township
Summit County

Schedule of Prior Audit Findings
December 31, 2003 and 2004

2002-001

Finding Summary:

There were a number of expenditures, primarily food and beverage, for which there was no statutory authority and no resolutions demonstrating a proper public purpose. These transactions resulted in \$2,919.81 in unauthorized food and beverage purchases.

Fully Corrected?

Yes.

Current Status:

Finding has been corrected.

2002-002

Finding Summary:

Clerical error resulted in the overcompensating of the Fire Prevention Officer, in the amount of \$101.

Fully Corrected?

Yes.

Current Status:

Finding has been corrected.

2002-003

Finding Summary:

31% of the expenditures tested were not certified by the Township Clerk prior to incurring the obligation.

Fully Corrected?

No. Will be issued with the management letter.

Current Status:

During 2003 and 2004 respectively, 7% and 11% of expenditures tested were not certified by Township Clerk prior to incurring the obligation.

Twinsburg Township
Summit County

Schedule of Prior Audit Findings
December 31, 2003 and 2004

2002-004

Finding Summary:

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.

Fully Corrected?

Yes.

Current Status:

Finding has been corrected.

2002-005

Finding Summary:

Pertaining to the use of credit cards the following conditions were 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.

Fully Corrected?

Partially corrected.

Current Status:

This finding has been partially corrected. A policy has been adopted in 2004 to formally document and communicate definitive guidelines for the authorized use of the credit cards. There were no instances of an outside vendor using the Township's credit card. See finding 2004-1 pertaining to the availability of adequate receipts.



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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
MAY 4, 2006**