

Twinsburg Township Summit County

**Financial Statements
December 31, 2009**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of Twinsburg Township, Summit County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2009 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 21, 2010

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Twinsburg Township, Ohio

Financial Statements For the Year Ended December 31, 2009

Table of Contents	Page
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types	3
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

Independent Auditors' Report

Members of the Board of Trustees
Twinsburg Township

We have audited the accompanying financial statements of Twinsburg Township, Ohio (the Township) as of and for the year ended December 31, 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Township 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, 2009 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, 2009, 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 and reserves for encumbrances of Twinsburg Township, as of December 31, 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis described in Note 1.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2010, 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.

Cini & Paricki, Inc.

Cleveland, Ohio
April 30, 2010

Twinsburg Township, Ohio

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

For the Year Ended December 31, 2009

	Governmental Fund Types				Totals
	General	Special Revenue	Capital Projects	Fiduciary Funds	Memorandum Only
Cash receipts:					
Local taxes	\$ 372,187	\$ 1,292,888	\$ -	\$ -	\$ 1,665,075
Intergovernmental	2,006,884	222,358	550,213	-	2,779,455
Licenses, permits, and fees	195	25,626	-	-	25,821
Fines, forfeitures, and penalties	14,925	-	-	-	14,925
Earnings on investments	73,860	2,524	-	-	76,384
Other revenue	<u>12,540</u>	<u>2,829</u>	<u>-</u>	<u>-</u>	<u>15,369</u>
Total cash receipts	<u>2,480,591</u>	<u>1,546,225</u>	<u>550,213</u>	<u>-</u>	<u>4,577,029</u>
Cash disbursements:					
Current:					
General government	989,846	37,233	-	-	1,027,079
Public safety	-	1,450,112	-	-	1,450,112
Public works	9,587	439,831	736,381	-	1,185,799
Conservation – recreation	91,920	-	12,500	-	104,420
Other	2,000	-	-	-	2,000
Capital outlay	<u>935,166</u>	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>936,366</u>
Total cash disbursements	<u>2,028,519</u>	<u>1,927,176</u>	<u>748,881</u>	<u>1,200</u>	<u>4,705,776</u>
Total receipts over/(under) disbursements	<u>452,072</u>	<u>(380,951)</u>	<u>(198,668)</u>	<u>(1,200)</u>	<u>(128,747)</u>
Other financing sources/(uses):					
Transfers-in	-	478,347	327,012	-	805,359
Transfers-out	(805,359)	-	-	-	(805,359)
Advances-in	64,554	-	64,554	-	129,108
Advances-out	(64,554)	-	(64,554)	-	(129,108)
Other financing uses	<u>(486)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(486)</u>
Total other financing Sources/(uses)	<u>(805,845)</u>	<u>478,347</u>	<u>327,012</u>	<u>-</u>	<u>(486)</u>
Excess of cash receipts and other financing sources over/(under) cash disbursements and other financing uses	(353,773)	97,396	128,344	(1,200)	(129,233)
Fund cash balance, January 1, 2009	<u>2,344,506</u>	<u>2,108,074</u>	<u>231,554</u>	<u>15,280</u>	<u>4,699,414</u>
Fund cash balance, December 31, 2009	\$ <u>1,990,733</u>	\$ <u>2,205,470</u>	\$ <u>359,898</u>	\$ <u>14,080</u>	\$ <u>4,570,181</u>
Reserves for encumbrances	\$ <u>685,635</u>	\$ <u>148,761</u>	\$ <u>855,107</u>	\$ <u>-</u>	\$ <u>1,689,503</u>

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

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Twinsburg Township, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2009

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, solid waste disposal and recycling, police protection and fire protection, and emergency medical services. The Township contracts with J&J Refuse to provide 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 (continued)

For the Year Ended December 31, 2009

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:

- Bavaria Road – This fund is used to account for financial resources to be used for the general improvement of Bavaria Road.
- Heights Road Phase VI Fund – This fund is used to account for Ohio Small Government Capital Improvements Commission monies received and disbursed relative to the general improvement of Rugby and Yale Streets.
- Heights Road Phase VII 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 Yale Streets.
- Heights Road Phase VIII Fund – This fund is used to account for Ohio Small Government Capital Improvements Commission and CDBG monies received and disbursed relative to the general improvement of 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 (continued)

For the Year Ended December 31, 2009

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 2009 budgetary activity appears in Note 4.

Estimated Resources

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

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

H. Total columns on the Financial Statements

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

Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2009

Note 2: Deposits and Investments

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

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

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

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

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

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

Custodial Credit Risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned. The Township's policy is to place deposits with major local banks approved by the Board of Trustees. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either within the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred and five percent of the deposits being secured.

At December 31, 2009, the carrying amount of the Township's deposits was \$4,570,181 and the bank balance was \$4,953,941. Deposits totaling \$557,036 were covered by Federal Depository Insurance and deposits of \$4,396,905 were uninsured and collateralized with a combination of pooled securities held in the Township's name.

Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2009

Note 2: Deposits and Investments (continued)

Investments

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township's investment policy does not address interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Township will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the Township must meet a set of prescribed standards.

Credit Risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Township's investment policy does not address credit risk.

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

The Township maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

Demand deposits	\$ 2,160,122
Certificates of deposit	<u>2,410,059</u>
Total Cash and Cash Equivalents	\$ <u>4,570,181</u>

Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2009

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 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 2009, 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, 2009.

Note 4: Budgetary Activity

Budgetary activity for the years ended December 31, 2009 follows:

Budgeted vs. Actual Receipts

Fund type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,673,531	\$ 2,480,591	\$ 192,940
Special revenue	2,142,425	2,024,572	117,853
Capital projects	5,022,316	877,225	4,145,091
Total	\$ <u>9,838,272</u>	\$ <u>5,382,388</u>	\$ <u>4,455,884</u>

Budgeted vs. Actual Budgetary Basis Expenditures

Fund type	Appropriation Authority	Actual Expenditures	Variance
General	\$ 4,177,157	\$ 3,519,999	\$ 657,158
Special revenue	2,250,966	2,075,937	175,029
Capital projects	5,955,139	1,603,988	4,351,151
Fiduciary	15,280	1,200	14,080
Total	\$ <u>12,398,542</u>	\$ <u>7,201,124</u>	\$ <u>5,197,418</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.

Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2009

Note 5: Property Taxes (continued)

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the county by April 30. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2009 is zero percent.

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.

Risk Pool Membership

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

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, and provides up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, OTARMA retains casualty risk up to \$350,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, and provides up to \$2,650,000 per claim and \$10,000,000 in aggregate per year.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, General Reinsurance Corporation.

Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2009

Note 6: Risk Management (continued)

Property Insurance

Travelers provides aggregate stop-loss coverage based upon the combined OTARMA members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

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 OTARMA member.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles and reported the following assets, liabilities, and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$ 40,737,740	\$ 43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$ 27,755,922</u>	<u>\$ 29,852,866</u>

At December 31, 2008 and 2007, respectively, casualty coverage liabilities noted above include approximately \$10.9 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,344. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

Township Contributions to OTARMA:

2007 – \$23,243
2008 – \$15,329
2009 – \$17,023

Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2009

Note 6: Risk Management (continued)

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

Note 7: Lease

In 2009, the Township renewed a one year sublease with LaFarge North America, Inc to sublease a salt storage facility located at 8530 Boyle Parkway, Twinsburg, Ohio 44087. In accordance with the sublease agreement, the Township makes quarterly rental payments to LaFarge North American, Inc. based on the amount of salt stored, at a rate of one dollar (\$1.00) per ton delivered.

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

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 condition.

Summit County Port Authority v. Twinsburg Township, Ohio. Case No. 2008-11-8164 Summit County Court of Common Pleas.

The above referenced lawsuit was initiated by the Port Authority against the Township alleging that the Township breached its lease agreement with the Port Authority for the premises located at 7996 Darrow Road, Twinsburg, Ohio. On April 22, 2010, the litigation was settled, and the lawsuit was dismissed. The terms of the settlement require the Township to pay a total of \$1.2 million to the Port Authority, with the amount to be paid in installments between 2010 and 2012.

Twinsburg Township, Ohio

Notes to the Financial Statements (continued)

For the Year Ended December 31, 2009

Note 9: Joint Venture

The Township participates in the Twinsburg Township – Village of Reminderville Joint Economic Development District (the “District”), which is a statutorily created subdivision of the state.

The purpose of the District is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the County, the Village, the Township, and the District. This joint venture is considered a separate reporting entity by the Township’s management. Accordingly, the joint venture has not been included in these financial statements.

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

Members of the Board of Trustees
Twinsburg Township, Ohio

We have audited the financial statements of the Township of Twinsburg, Ohio (the “Township”) as of and for the year ended December 31, 2009, and have issued our report thereon dated April 30, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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 entity’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.

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*.

Members of the Board of Trustees
Twinsburg Township, Ohio

We noted certain matters that we reported to management of Twinsburg Township in a separate letter dated April 30, 2010.

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.

Cini & Parichi, Inc.

Cleveland, Ohio
April 30, 2010



Mary Taylor, CPA
Auditor of State

TWINSBURG TOWNSHIP

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 3, 2010**