



Dave Yost • Auditor of State

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Twinsburg Township
Summit County
1790 Enterprise Parkway
Twinsburg, OH 44087

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Twinsburg Township, Summit County, Ohio, (the Township) as of and for the year ended December 31, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Twinsburg Township, Summit County, Ohio, as of December 31, 2013, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 25, 2014

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES (CASH BASIS) ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | Governmental Fund Types | | | Totals |
|---|-------------------------|--------------------|---------------------|----------------------|
| | General | Special Revenue | Capital Projects | (Memorandum Only) |
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$238,752 | \$1,091,538 | \$0 | \$1,330,290 |
| Licenses, Permits and Fees | 96,595 | 0 | 0 | 96,595 |
| Fines and Forfeitures | 7,022 | 0 | 0 | 7,022 |
| Intergovernmental | 2,440,726 | 610,689 | 308,615 | 3,360,030 |
| Special Assessments | 2,101 | 0 | 0 | 2,101 |
| Earnings on Investments | 14,537 | 36,122 | 0 | 50,659 |
| Miscellaneous | 20,315 | 300 | 0 | 20,615 |
| Total Cash Receipts | 2,820,048 | 1,738,649 | 308,615 | 4,867,312 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 1,353,098 | 0 | 0 | 1,353,098 |
| Public Safety | 0 | 1,338,248 | 0 | 1,338,248 |
| Public Works | 0 | 267,341 | 827,521 | 1,094,862 |
| Conservation-Recreation | 100,325 | 0 | 96,575 | 196,900 |
| Other | 10,000 | 0 | 0 | 10,000 |
| Capital Outlay | 1,512,300 | 0 | 0 | 1,512,300 |
| Debt Service | | | | |
| Principal Retirement | 357,500 | 0 | 0 | 357,500 |
| Interest and Fiscal Charges | 35,679 | 0 | 0 | 35,679 |
| Total Cash Disbursements | 3,368,902 | 1,605,589 | 924,096 | 5,898,587 |
| Total Receipts Over/(Under) Disbursements | (548,854) | 133,060 | (615,481) | (1,031,275) |
| Other Financing Receipts/(Disbursements): | | | | |
| Sale of Assets | 202,624 | 0 | 0 | 202,624 |
| Loan Proceeds | 0 | 0 | 479,498 | 479,498 |
| Transfers In | 0 | 150,000 | 39,408 | 189,408 |
| Transfers Out | (189,408) | 0 | 0 | (189,408) |
| Advances In | 445,629 | 150,000 | 295,629 | 891,258 |
| Advances Out | (445,629) | (150,000) | (295,629) | (891,258) |
| Other Financing Sources | 106 | 0 | 0 | 106 |
| Other Financing Uses | (1,156) | 0 | 0 | (1,156) |
| Total Other Financing Receipts/(Disbursements) | 12,166 | 150,000 | 518,906 | 681,072 |
| Net Change in Fund Cash Balances | (536,688) | 283,060 | (96,575) | (350,203) |
| Fund Cash Balance, January 1 | 1,564,285 | 2,921,109 | 126,804 | 4,612,198 |
| Fund Cash Balance, December 31 | | | | |
| Restricted | 0 | 3,182,582 | 30,229 | 3,212,811 |
| Committed | 0 | 21,587 | 0 | 21,587 |
| Assigned | 557,385 | 0 | 0 | 557,385 |
| Unassigned | 470,212 | 0 | 0 | 470,212 |
| Fund Cash Balance, December 31 | \$1,027,597 | \$3,204,169 | \$30,229 | \$4,261,995 |

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

**TWINSBURG TOWNSHIP
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES (CASH BASIS) AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Agency</u> |
|---------------------------------------|------------------------------|
| Operating Cash Receipts: | |
| Miscellaneous | \$500 |
| Operating Cash Disbursements: | |
| Purchased Services | 500 |
| Operating Income | 0 |
| Fund Cash Balance, January 1 | 9,030 |
| Fund Cash Balance, December 31 | <u><u>\$9,030</u></u> |

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Twinsburg Township, Summit County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township maintains various public properties (including parks and recreation and conservation areas) and provides road and bridge maintenance, residential solid waste disposal and recycling, police protection, fire protection, and emergency medical services, along with planning and zoning administration and enforcement. The Township contracts with Kimble Companies to provide residential solid waste disposal and recycling, contracts with the Summit County Sheriff's Department for police protection, contracts with the City of Twinsburg to provide fire protection and emergency medical services, and provides all other services with a combination of in-house staff and outside vendors as needed.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale 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:

1. General Fund (1000 General Fund)

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

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The Township had the following Special Revenue Funds:

TWINSBURG TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2011 Motor Vehicle License Tax Fund – This fund receives money from motor vehicle license taxes collected by the State and is used to pay for road and bridge equipment and materials, projects completed in-house by Township employees, and services provided by outside contractors.

2021 Gasoline Tax Fund – This fund receives money from gasoline taxes collected by the State and is used to pay for road and bridge equipment and materials, projects completed in-house by Township employees, and services provided by outside contractors.

2031 Road and Bridge Fund – This fund receives money from one special tax levy and is used to pay for road and bridge equipment and materials, projects completed in-house by Township employees, and services provided by outside contractors.

2071 Garbage & Waste Disposal District Fund – This fund receives money from grants and General Fund transfers and is used to pay for equipment and materials for landfill monitoring completed in-house by Township employees, along with residential solid waste disposal and recycling services provided by Kimble Companies via contract.

2081 Police District Fund – This fund receives money from four special tax levies and is used to pay for police protection services provided by the Summit County Sheriff's Department via contract.

2111 Fire District Fund – This fund receives money from one special tax levy and is used to pay for fire protection services provided by the City of Twinsburg via contract.

2112 Fire/EMS District Fund – This fund receives money from one special tax levy that is used to pay for fire protection and emergency medical services provided by the City of Twinsburg via contract.

2231 Permissive Motor Vehicle License Tax Fund – This fund receives money from motor vehicle license taxes collected by the State and is used to pay for road and bridge equipment and materials, projects completed in-house by Township employees, and services provided by outside contractors.

2281 Ambulance and Emergency Medical Services Fund – This fund receives money from emergency medical services fees collected by the City of Twinsburg via contract and is used to pay for emergency medical services provided by the City of Twinsburg via contract.

2903 Lifeline Fund – This fund receives money from grants for certain resident services and is used to pay for eligible costs associated with those grants.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following Capital Project Funds:

4401 Marwell #1 Fund – This fund receives money from grants and General Fund transfers and is used to pay for services provided by outside contractors on the Marwell Estates Allotment Road Reconstruction Project Phase 1.

TWINSBURG TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

4404 Herrick Fund – This fund receives money from grants and General Fund transfers and is used to pay for services provided by outside contractors on the Herrick Road Reconstruction Project.

4405 Heights #7 Fund – This fund receives money from grants and General Fund transfers and is used to pay for services provided by outside contractors on the Heights Road Reconstruction Project Phase 7.

4406 Heights #8 Fund – This fund receives money from grants and General Fund transfers and is used to pay for services provided by outside contractors on the Heights Road Reconstruction Project Phase 8.

4407 Heights #9 Fund – This fund receives money from grants and General Fund transfers and is used to pay for services provided by outside contractors on the Heights Road Reconstruction Project Phase 9.

4408 Heights #10 Fund – This fund receives money from grants and General Fund transfers and is used to pay for services provided by outside contractors on the Heights Road Reconstruction Project Phase 10.

4902 Bavaria Park Fund – This fund receives money from grants and General Fund transfers and is used to pay for services provided by outside contractors on Erwin Geis Park (various projects).

4501 Special Assessment Fund – This fund receives money from assessments upon certain property owners and is used to pay for street lighting operation and maintenance costs in certain areas.

4. Fiduciary Fund (9003 Agency Fund)

This fund is purely custodial in nature and is used to hold resources for project applicants, including individuals and organizations, or other governments. This fund accounts for monies held in escrow for project plan review and inspection services.

E. Budgetary Process

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

1. 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.

2. 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 appropriation measure and subsequent amendments. Unencumbered appropriations lapse at year end.

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. A summary of 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

The Board of Trustees can commit amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Trustees or a Township official delegated that authority by resolution, or by State statute.

5. Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

TWINSBURG TOWNSHIP
 SUMMIT COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

The Township maintains a deposit and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2013 was as follows:

| | |
|--------------------------------|--------------------|
| | <u>2013</u> |
| Demand deposits | \$2,892,628 |
| Certificates of deposit | \$ 600,897 |
| Manuscript Bond | <u>\$ 777,500</u> |
| Total deposits and investments | <u>\$4,271,025</u> |

At December 31, 2013, the carrying amount of the Township's deposits was \$3,493,525, and the bank balance was \$3,565,249. Deposits are either insured by the Federal Depository Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Township, or collateralized by the financial institution's public entity deposit pool. At December 31, 2013, deposits totaling \$765,886 were FDIC-insured, and deposits of \$2,799,363 were uninsured and collateralized by a combination of pledged and pooled securities.

3. Budgetary Activity

Budgetary activity for the year ended December 31, 2013 follows:

2013 Budgeted vs. Actual Receipts

| Fund type | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|-----------------------|
| General | \$ 3,138,333 | \$ 3,022,778 | \$ (115,555) |
| Special Revenue | \$ 1,868,821 | \$ 1,888,649 | \$ 19,828 |
| Capital Projects | \$ 4,074,140 | \$ 827,521 | \$ (3,246,619) |
| Fiduciary | 11,000 | 500 | (10,500) |
| Total | <u>\$ 9,092,294</u> | <u>\$ 5,739,448</u> | <u>\$ (3,352,846)</u> |

2013 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund type | <u>Appropriation Authority</u> | <u>Actual Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|--------------------------------|-------------------|
| General | \$ 4,353,435 | \$ 4,116,851 | \$ 236,584 |
| Special Revenue | \$ 1,800,347 | \$ 1,720,146 | \$ 80,201 |
| Capital Projects | \$ 3,918,964 | \$ 3,918,964 | \$ 0 |
| Fiduciary | 20,000 | 500 | 19,500 |
| Total | <u>\$ 10,092,746</u> | <u>\$ 9,756,461</u> | <u>\$ 336,285</u> |

TWINSBURG TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

4. Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

5. Manuscript Debt

In 2010 and 2012 the Township issued manuscript debt in accordance with Ohio Revised Code Section 505.262. These bond issues were authorized on June 2, 2010 and December 19, 2012, respectively, with 10-year terms and interest rates of 1.50 percent each, with initial balances outstanding of \$725,000 and \$700,000 each, with first annual payments due on December 1, 2011 and December 1, 2013, respectively, and with last annual payments due on December 1, 2020 and December 1, 2022, respectively. For the Manuscript Bond, Series 2010, the Township in 2013 pre-paid principal and interest for 2015, 2016, and 2017. For the Manuscript Bond, Series 2012, the Township in 2013 pre-paid principal and interest for 2013 and 2014. Manuscript debt outstanding at December 31, 2013 was as follows:

| Debt | Balance Outstanding 1/1/2013 | Additions | Deletions | Balance Outstanding 12/31/2013 |
|------------------------------|---|------------------|------------------|---|
| Manuscript Bond, Series 2010 | \$435,000 | \$0 | \$217,500 | \$217,500 |
| Manuscript Bond, Series 2012 | <u>\$700,000</u> | <u>\$0</u> | <u>\$140,000</u> | <u>\$560,000</u> |
| Total | \$1,135,000 | \$0 | \$357,500 | \$777,500 |

Principal and interest requirements to retire the above bonds outstanding at December 31, 2013 are scheduled as follows:

| Years | Principal | Interest | Principal and Interest |
|--------------|------------------|-----------------|-------------------------------|
| 2014 | \$0 | \$0 | \$0 |
| 2015 | \$70,000 | \$8,400 | \$78,400 |
| 2016 | \$70,000 | \$7,350 | \$77,350 |
| 2017 | \$70,000 | \$6,300 | \$76,300 |
| 2018 | \$142,500 | \$8,513 | \$151,013 |
| 2019-2022 | <u>\$425,000</u> | <u>\$13,762</u> | <u>\$438,762</u> |
| Total | \$777,500 | \$44,325 | \$821,825 |

TWINSBURG TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

6. SIB Loan

In 2013 the Township entered into an agreement with the Ohio Department of Transportation for a State Infrastructure Bank (SIB) Loan in accordance with Ohio Revised Code Section 5531.09. The loan agreement was executed April 24, 2013, with a 10-year term and an interest rate of 3 percent, with interest accrual to begin in the 13th month and semi-annual payments to begin in the 31st month, with an estimated maximum balance outstanding of \$3,020,452 principal plus \$399,430 accrued interest for a total of \$3,419,882, with first semi-annual payment due on October 24, 2015, and with last semi-annual payment due on April 24, 2023. For the SIB Loan, Series 2013, the Township in 2013 partially drew down available principal and made no payments. SIB Loan balance outstanding at December 31, 2013 was as follows:

| Loan | Balance Outstanding 1/1/2013 | Additions | Deletions | Balance Outstanding 12/31/2013 |
|-----------------------|---|------------------|------------------|---|
| SIB Loan, Series 2013 | \$0 | \$479,498 | \$0 | \$479,498 |
| Total | \$0 | \$479,498 | \$0 | \$479,498 |

Principal and interest requirements to retire the above loan outstanding at December 31, 2013 are scheduled as follows, presuming that a full drawdown of the available maximum loan amount occurs:

| Years | Principal | Interest | Principal and Interest |
|--------------|--------------------|------------------|-------------------------------|
| 2014 | \$0 | \$0 | \$0 |
| 2015 | \$168,436 | \$45,307 | \$213,743 |
| 2016 | \$344,489 | \$82,996 | \$427,485 |
| 2017 | \$354,901 | \$72,584 | \$427,485 |
| 2018 | \$365,628 | \$61,857 | \$427,485 |
| 2019-2023 | \$1,786,998 | \$136,686 | \$1,923,684 |
| Total | \$3,020,452 | \$399,430 | \$3,419,882 |

7. Retirement System

All Township full-time and part-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include post-retirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. For 2013, 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, 2013.

8. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

TWINSBURG TOWNSHIP
 SUMMIT COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> |
|--------------|--------------|--------------|
| Assets | \$34,954,286 | \$34,771,270 |
| Liabilities | 8,486,363 | 9,355,082 |
| Net Position | \$26,467,923 | \$25,416,188 |

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$18,000.

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.

| <u>Contributions to OTARMA</u> | |
|--------------------------------|-------------|
| <u>2013</u> | <u>2012</u> |
| \$32,638 | \$25,537 |

TWINSBURG TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

9. Contingent Liabilities

Management believes that there are no pending claims or lawsuits.

10. Leases

In 2010, the Township entered into a three-year lease with TAMCO Capital Corp., a financing lender for Windstream Communications, to lease a voice mail/telephone system for Township facilities. In accordance with the lease agreement, the Township made monthly payments of \$394 to TAMCO Capital Corp. beginning May 2010 and ending June 2013. In 2013, the Township entered into a three-year lease with TAMCO Capital Corp., a financing lender for Windstream Communications, to lease a voice mail/telephone system for Township facilities. In accordance with the lease agreement, the Township makes monthly payments of \$296 to TAMCO Capital Corp. beginning May 2013 and ending June 2016.

Also in 2010, the Township entered into a five-year lease with American Security Alarms (aka Guardian Alarm Company), to lease an access management system for Township facilities. In accordance with the lease agreement, the Township made monthly payments of \$263 to American Security Alarms (aka Guardian Alarm Company) beginning March 2010 and ending February 2013. In 2013, the Township entered into a two-year lease with Guardian Alarm Company, to lease an access management system for Township facilities. In accordance with the lease agreement, the Township makes monthly payments of \$263 to Guardian Alarm Company beginning March 2013 and ending February 2015.

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

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

In 2012, the Township entered into a five-year lease with Pitney Bowes, to lease a postage machine and scale for Township use. In accordance with the lease agreement, the Township makes quarterly payments to Pitney Bowes of \$156 beginning September 2012 and ending on August 2017.

In 2013, the Township also entered into a five-year lease with G.E. Capital, a financing lender for Leppo, a dealer of Bobcat equipment, to lease a track steer to increase overall Service Department efficiency. In accordance with the lease agreement, the Township made an \$11,966 payment to G.E. Capital in September 2013 and makes annual payments of \$13,423 to G.E. Capital beginning September 2014 and ending September 2017.

TWINSBURG TOWNSHIP
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

11. Joint Venture

Per a contract executed in July 2002 and approved by Township voters in November 2002, the Township participates in the Twinsburg Township-Village of Reminderville Joint Economic Development District (the "JEDD"), which is a statutorily created subdivision of the state. The purpose of the JEDD 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 JEDD. 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.

12. Related Organization

Per Summit County Common Pleas Case No. MS-2012-00-0042 Court Order dated July 26, 2012, a transitional period began on January 1 2014 and will end on December 31, 2015, during which the Township will gradually become the appointing authority for the Twin-Keystone Water District (the "Water District"), which is a statutorily created subdivision of the state. The purpose of the Water District is to provide a public water supply to the Water District, which includes all land in the Township, along with additional areas annexed to adjacent communities since inception of the Water District in 1966. This related organization is considered a separate reporting entity by the Township's management. Accordingly, the related organization has not been included in these financial statements.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Twinsburg Township
Summit County
1790 Enterprise Parkway
Twinsburg, Ohio 44087

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Twinsburg Township, Summit County, Ohio, (the Township) as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 25, 2014



Dave Yost • Auditor of State

TWINSBURG TOWNSHIP

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 28, 2014**