

TWIN TOWNSHIP
ROSS COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2007 and 2006



Mary Taylor, CPA

Auditor of State

Board of Trustees
Twin Township
P.O. Box 6
Bourneville, Ohio 45617

We have reviewed the *Independent Accountant's Report* of Twin Township, Ross County, prepared by Van Kregel and Company, CPA's, for the audit period January 1, 2006 through December 31, 2007. 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 Accountant's 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 Accountant's 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. Twin Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 24, 2008

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Twin Township
Ross County, Ohio

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INDEPENDENT ACCOUNTANT'S REPORT

Twin Township
 Ross County, Ohio
 P O Box 6
 Bourneville, Ohio 45617-0006

To the Board of Trustees:

We have audited the accompanying financial statements of Twin Township, Ross County, Ohio, (the Township), as of and for the years ended December 31, 2007, and 2006. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these 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 requires 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 require 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 years ended December 31, 2007, and 2006, 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Twin Township, Ross County, Ohio as of December 31, 2007, and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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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 October 24, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our 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*. You should read it in conjunction with this report in assessing the results of our audits.

A handwritten signature in cursive script that reads "Van Krevel & Company".

Van Krevel & Company
Dublin, Ohio

October 24, 2008

Twin Township
 Ross County, Ohio
 Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2007

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	Permanent Fund	
Cash Receipts:						
Property Tax and Other Local Taxes	\$ 44,016	\$ 121,017				\$ 165,033
Charges for Services	360	28,159				28,519
Licenses, Permits, and Fees		20,475				20,475
Intergovernmental Receipts	69,448	137,553	\$ 25,000			232,001
Special Assessments		8,018				8,018
Earnings on Investments	14,378	53			\$ 339	14,770
Miscellaneous	2,030	5,760				7,790
Total Cash Receipts	130,232	321,035	25,000		339	476,606
Cash Disbursements:						
Current:						
General Government	153,544	4,417				157,961
Public Safety		73,798				73,798
Public Works	34,582	172,253	25,000			231,835
Health		23,650			500	24,150
Capital Outlay		11,252				11,252
Total Cash Disbursements	188,126	285,370	25,000		500	498,996
Total Cash Receipts Over/(Under) Cash Disbursements	(57,894)	35,665	-		(161)	(22,390)
Other Financing Receipts/(Disbursements):						
Advances In	1,500	1,500				3,000
Advances Out	(1,500)	(1,500)				(3,000)
Total Other Financing Receipts/(Disbursements)	-	-	-			-
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(57,894)	35,665	-		(161)	(22,390)
Fund Cash Balances, January 1	310,495	130,195	-	\$ 15	8,604	449,309
Fund Cash Balances, December 31	\$ 252,601	\$ 165,860	\$ -	\$ 15	\$ 8,443	\$ 426,919

Twin Township
 Ross County, Ohio
 Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2006

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	Permanent Fund	
Cash Receipts:						
Property Tax and Other Local Taxes	\$ 42,136	\$ 115,784				\$ 157,920
Charges for Services	300	24,212				24,512
Licenses, Permits, and Fees		15,750				15,750
Intergovernmental Receipts	41,795	137,547	\$ 31,750			211,092
Special Assessments		7,097				7,097
Earnings on Investments	12,154	127			\$ 290	12,571
Miscellaneous	578	13,420				13,998
Total Cash Receipts	96,963	313,937	31,750		290	442,940
Cash Disbursements:						
Current:						
General Government	138,634	2,060				140,694
Public Safety		75,656				75,656
Public Works	12,145	151,296	31,750			195,191
Health		21,035			24	21,059
Capital Outlay		57,280				57,280
Total Cash Disbursements	150,779	307,327	31,750		24	489,880
Total Cash Receipts Over/(Under) Cash Disbursements	(53,816)	6,610	-		266	(46,940)
Other Financing Receipts/(Disbursements):						
Sale of Fixed Assets	7,632	100				7,732
Total Other Financing Receipts/(Disbursements)	7,632	100	-			7,732
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(46,184)	6,710	-		266	(39,208)
Fund Cash Balances, January 1	356,679	123,485		\$ 15	8,338	488,517
Fund Cash Balances, December 31	\$ 310,495	\$ 130,195	\$ -	\$ 15	\$ 8,604	\$ 449,309

Twin Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2007 and 2006

NOTE 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 Twin Township, Ross County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, including maintenance of Township roads and bridges, cemetery maintenance, fire protection and emergency medical services.

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

B Basis of Accounting

These financial statements follow the 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 disclosure of material matters, as the Auditor of State prescribes or permits.

C Cash 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. The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D Fund Accounting

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

1 General Fund

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

2 Special Revenue Funds

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

Twin Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D Fund Accounting (continued)

Road and Bridge Fund – This fund receives property tax monies to pay for constructing, maintaining and repairing Township roads and bridges

Gasoline Tax Fund – This fund receives gasoline tax monies to pay for constructing, maintaining and repairing Township roads.

Special Levy Fire Fund – This fund receives property tax monies and other State grants to provide fire protection for the residents of the Township.

3 Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness.

There was no outstanding debt at December 31, 2007, and 2006.

4 Capital Projects Fund

This fund is 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 had the following significant Capital Project Funds:

Issue II Fund – This fund accounts for Ohio Public Works grant monies received and expended on behalf of the Township by the Ross County Engineer to repair and maintain roads within the Township.

Community Development Block Grant (CDBG) – This fund accounts for grant monies received and expended on behalf of the Township to repair and maintain roads within the Township.

5 Permanent Fund

These funds are used to account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following Permanent Fund:

Rinehart Trust Fund – This fund was established to be used for cemetery maintenance.

E Budgetary Process

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

1 Appropriations

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

Twin Township
Ross County, Ohio

Notes to Financial Statements
December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E Budgetary Process (continued)

2 Estimated Resources

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

3 Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of the 2007 and 2006 budgetary activity appears in Note 3.

F 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.

NOTE 2 EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$145,584	\$226,264
Certificate of Deposit	<u>7,945</u>	<u>7,945</u>
Total Deposits	<u>153,529</u>	<u>234,209</u>
STAROhio	<u>273,390</u>	<u>215,100</u>
Total Investments	<u>273,390</u>	<u>215,100</u>
Total Deposits and Investments	<u>\$426,919</u>	<u>\$449,309</u>

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

Investments in STAROhio are not evidenced by securities that exist in physical or book entry form.

Twin Township
Ross County, Ohio

Notes to Financial Statements
December 31, 2007 and 2006

NOTE 3 BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2007, follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 130,232	\$ 130,232	\$ -
Special Revenue	321,035	321,035	-
Capital Projects	25,000	25,000	-
Debt Service	-	-	-
Permanent	339	339	-
Totals	<u>\$ 476,606</u>	<u>\$ 476,606</u>	<u>\$ -</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 195,034	\$ 188,126	\$ 6,908
Special Revenue	375,330	285,370	89,960
Capital Projects	25,000	25,000	-
Debt Service	-	-	-
Permanent	550	500	50
Totals	<u>\$ 595,914</u>	<u>\$ 498,996</u>	<u>\$ 96,918</u>

Budgetary activity for the year ending December 31, 2006, follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 104,595	\$ 104,595	\$ -
Special Revenue	314,037	314,037	-
Capital Projects	-	31,750	31,750
Debt Service	-	-	-
Permanent	290	290	-
Totals	<u>\$ 418,922</u>	<u>\$ 450,672</u>	<u>\$ 31,750</u>

Twin Township
Ross County, Ohio

Notes to Financial Statements
December 31, 2007 and 2006

NOTE 3 BUDGETARY ACTIVITY

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 188,449	\$ 150,779	\$ 37,670
Special Revenue	375,959	307,327	68,632
Debt Service			-
Capital Projects	-	31,750	(31,750)
Permanent	160	24	136
Totals	\$ 564,568	\$ 489,880	\$ 74,688

Contrary to Ohio law, budgetary expenditures in 2006 exceeded appropriation authority in the Capital Projects fund by \$31,750.

NOTE 4 PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which the 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.

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.

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.

NOTE 5 RETIREMENT SYSTEM

The Township's employees and officials 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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross salaries, with the Township contributing an amount equal to 13.85% and 13.7% of participants' gross salaries, respectively. The Township has paid all contributions required through December 31, 2007.

Twin Township
Ross County, Ohio

Notes to Financial Statements
December 31, 2007 and 2006

NOTE 6 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.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships 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 occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, 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, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. 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 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 township.

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

Twin Township
Ross County, Ohio

Notes to Financial Statements
December 31, 2007 and 2006

NOTE 6 RISK MANAGEMENT (continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006 respectively, liabilities noted above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$6,968. 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 charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Townships contributions to OTARMA for the past three years are as follows:

<u>Year</u>	<u>Contribution</u>
2007	\$ 7,968
2006	8,660
2005	0

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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 budgetary 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.

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

Twin Township
Ross County, Ohio
P O Box 6
Bourneville, Ohio 45617-0006

To the Board of Trustees:

We have audited the financial statements of Twin Township, Ross County, Ohio, (the Township), as of and for the years ended December 31, 2007, and 2006, and have issued our report thereon dated October 24, 2008, wherein we noted that the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-002 and 2007-003.

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Twin Township
Ross County, Ohio
Independent Accountant's Report on Internal Control over
Financial Reporting and on Compliance with Other Matters
Required by *Government Auditing Standards*

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings 2007-001 is a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 24, 2008.

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, providing an opinion on compliance with those provisions was not an objective of our audits and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.



Van Krevel & Company
Dublin, Ohio

October 24, 2008

Twin Township
Ross County, Ohio

Schedule of Findings
December 31, 2007 and 2006

Finding No. 2007-001

Noncompliance, Significant Deficiency and Material Weakness

Proper Budgeting and Accounting for On-Behalf-of Programs

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 705(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. Ohio Revised Code Section 5705.40 provides that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation for any purpose may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation. Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Auditor of State Bulletin 2002-004 states that all local governments participating in Issue II Funds (single or multi-project grant) must, for each project awarded, establish a capital projects fund to account for both the Issue II monies and local matching funds. It is not necessary to obtain authorization from the Auditor of State to establish the fund(s) because the authority exists under Section 5705.09 of the Ohio Revised Code. The purpose of the fund is to account for the related revenues and expenditures to the extent the local government has received the benefit from the project. The Ohio Public Works Commission (OPWC) will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the capital projects fund equal to the amount disbursed to OPWC.

According to the Township Accounting Manual, other on-behalf-of programs, such as Community Development Block Grant (CDBG) programs are accounted for basically in the same manner as the Issue II funds. The County approves the Township's application for participation in a CDBG project, advertises for bids, awards the contractors, and pays the vendors directly. Even though the Township did not receive any payment or make any disbursements related to the project, the Township shall record receipts and disbursements for the amount of the project payments made on-behalf-of the Township.

In 2006, the Township had not created the required capital projects fund to account for the Issue II monies in accordance with the Auditor of State Bulletin. In 2006, payments were made by OPWC directly to the vendor on the Township's behalf. Additionally, payments were made by the County for the CDBG program to the vendor on the Township's behalf. The related receipts and expenditures were not recorded in the Township's books. In accordance with Auditor of State Bulletin 2002-004 and the Township Accounting Manual, both the revenue and expenditure activity of the grant should have been included. Also, the Township did not amend their Certificate of Estimated Resources or their appropriations measure to account for the payments of the OPWC or CDBG monies in the amounts of \$18,750 and \$13,000, respectively. As a result, budgetary expenditures for capital outlay in the capital projects fund exceeded the appropriations by \$31,750.

The Township's financial statements have been adjusted to properly reflect the receipts and expenditures in a capital projects fund.

In 2007, the Township created the appropriate capital projects fund. We recommend the Township monitor appropriations, amending their Certificate of Estimated Resources and appropriations measure upon learning of any expected additional receipts or expenditures.

Twin Township
Ross County, Ohio

Schedule of Findings
December 31, 2007 and 2006

Official's Response:

Due to an over-site on the part of the Fiscal Officer, grant monies received in 2006 from Issue II and the CDBG program were not recorded in the Township's books. The Fiscal Officer did not become aware of this over-site until April 4, 2007, which was too late at that time to correct in the official UAN records.

Finding No. 2007-002

Noncompliance and Significant Deficiency

Ohio Revised Code Section 5705.10 requires all revenues derived from a source other than the general property tax and which the law prescribed shall be used for a particular purpose, shall be paid into a special fund for such purpose.

In 2007, the Township recorded tax receipts in the amount of \$5,192 in the Motor Vehicle License Tax Fund which should have been posted to the Gasoline Tax Fund.

In 2007, the Township recorded CDBG project revenues and expenditures in the amount of \$25,000 in the Road and Bridge Fund which should have been posted to the Capital Projects Fund.

The Township's Fiscal Officer has agreed to the reclassifications and these corrected amounts are reflected in the accompanying financial statements.

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the settlement sheets be compared with postings to ensure intergovernmental revenues are posted correctly and the Township Accounting Manual and chart of accounts included therein be reviewed for proper classifications of receipts.

Official's Response:

The Fiscal Officer will review on a regular basis the accuracy of the postings of revenues to the correct accounts.

Finding No. 2007-003

Significant Deficiency

All local public offices should maintain an accounting system and accounting records sufficient to enable the public officer to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with the finance related legal and contractual requirements and prepare financial statements.

During 2007 and 2006, cash receipts were not always posted to the correct revenue classifications. Posting receipts to improper classifications results in inaccurate financial information being presented to the Township Trustees. Reclassification entries have been made to the accompanying financial statements to accurately reflect the proper reclassification of receipts.

We recommend the Township Fiscal Officer review the Uniform Accounting Network (UAN) Chart of Accounts included in the Ohio Township Handbook for proper classifications of receipts and use due care in posting receipts and disbursements to the Township's books.

Official's Response:

The Township's Fiscal Officer will periodically review the Revenue Ledger to verify revenue account classifications.



Mary Taylor, CPA
Auditor of State

TWIN TOWNSHIP

ROSS 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
DECEMBER 9, 2008**