

City of Twinsburg, Ohio

**Basic Financial Statements
December 31, 2008**



Mary Taylor, CPA
Auditor of State

Honorable Mayor and Members of Council
City of Twinsburg
10075 Ravenna Road
Twinsburg, Ohio 44087

We have reviewed the *Independent Accountants' Report* of the City of Twinsburg, Summit County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2008 through December 31, 2008. 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.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 28, 2009

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City of Twinsburg, Ohio

For The Year Ended December 31, 2008

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Perry & Associates
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INDEPENDENT ACCOUNTANTS' REPORT

September 11, 2009

City of Twinsburg
Summit County
10075 Ravenna Road
Twinsburg, Ohio 44087

To the Honorable Mayor and Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Twinsburg, Twinsburg, Summit County, Ohio** (The City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twinsburg, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General and Street Construction Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2009, on our consideration of the City'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 audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it

As described in Note 3, during the year ended December 31, 2008, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*, GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and GASB Statement No. 50, *Pension Disclosures*.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2008

The discussion and analysis of the City of Twinsburg's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2008 are as follows:

- ◆ The assets of the City of Twinsburg exceeded its liabilities at the close of the most recent fiscal year by \$175,344,923. Of this amount, \$8,974,552 may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets increased by \$645,369, which represents an increase of less than one percent over 2007. The primary change that contributed to this increase was the increase in capital assets of \$677,492.
- ◆ Total liabilities decreased by \$638,788, which represents a decrease of 2.95 percent under 2007. The main factors contributing to this decrease was a decrease of \$982,680 in long term liabilities and by an increase in accounts payable of \$163,185.
- ◆ In total, net assets increased by \$1,284,157 during 2008. This represents a less than one percent increase from 2007.

Using this Annual Financial Report

This discussion and analysis are intended to serve as an introduction to the City of Twinsburg's basic financial statements. The City of Twinsburg's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – Reporting the City of Twinsburg as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets presents information on all the City of Twinsburg's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City of Twinsburg is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2008

- Governmental activities: most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Income tax, state and county taxes, licenses, permits and charges for services finance most of these activities.
- Business-type activities: the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer system, golf course and fitness center are reported here.

Fund Financial Statements - Reporting the City of Twinsburg's Most Significant Funds

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The City of Twinsburg, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Twinsburg can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

The City of Twinsburg maintains 27 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General fund, Park Debt Service fund, Capital Improvement Capital Projects fund and the Street Construction Special Revenue fund, all of which are considered to be major funds.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2008

Proprietary Funds

The City of Twinsburg maintains 3 different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer operations and fitness center and golf course activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found starting on page 26 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 30 of this report.

Government-wide Financial Analysis - City of Twinsburg as a Whole

As noted earlier, the Statement of Net Assets looks at the City as a Whole and can prove to be a useful indicator of the City's financial position.

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning and End of Year

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2008

Table 1 provides a summary of the City's net assets for 2008 as compared to 2007.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other Assets	\$ 24,099,622	\$ 24,247,463	\$ 4,129,689	\$ 4,013,971	\$ 28,229,311	\$ 28,261,434
Capital assets, net	<u>123,182,486</u>	<u>122,054,255</u>	<u>44,979,528</u>	<u>45,430,267</u>	<u>168,162,014</u>	<u>167,484,522</u>
Total assets	<u>147,282,108</u>	<u>146,301,718</u>	<u>49,109,217</u>	<u>49,444,238</u>	<u>196,391,325</u>	<u>195,745,956</u>
Liabilities:						
Current and other Liabilities	2,686,415	2,469,587	336,630	382,746	3,023,045	2,852,333
Long-term liabilities:						
Due within one year	1,629,598	1,444,317	215,203	227,304	1,844,801	1,671,621
Due in more than one year	<u>14,120,165</u>	<u>15,025,840</u>	<u>2,058,391</u>	<u>2,135,396</u>	<u>16,178,556</u>	<u>17,161,236</u>
Total liabilities	<u>18,436,178</u>	<u>18,939,744</u>	<u>2,610,224</u>	<u>2,745,446</u>	<u>21,046,402</u>	<u>21,685,190</u>
Net assets:						
Invested in capital assets, net of related debt	109,159,210	107,374,718	43,036,498	43,425,264	152,195,708	150,799,982
Restricted for:						
Capital projects	10,072,077	12,079,485	-	-	10,072,077	12,079,485
Other purposes	4,102,586	3,821,836	-	-	4,102,586	3,821,836
Unrestricted	<u>5,512,057</u>	<u>4,085,935</u>	<u>3,462,495</u>	<u>3,273,528</u>	<u>8,974,552</u>	<u>7,359,463</u>
Total net assets	\$ <u>128,845,930</u>	\$ <u>127,361,974</u>	\$ <u>46,498,993</u>	\$ <u>46,698,792</u>	\$ <u>175,344,923</u>	\$ <u>174,060,766</u>

City of Twinsburg
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For the Fiscal Year Ended December 31, 2008

Total net assets of the City increased \$1,284,157. The following factors were responsible for this increase:

- An increase in cash and cash equivalents of \$104,704.
- An increase in capital assets of \$677,492.
- A decrease in long term liabilities \$982,680.

The City has tried to make concerted efforts to maximize the return on investments of its cash and cash equivalents and use these funds to provide liquidity for planned future capital purchases. Due to the interest rates in the past year, the investments have shifted from longer-term federal agency issues to short term CD's STAROhio. However, even though the State code allows for investments with maturities of five years or less, the City has not invested in any instrument with a maturity of more than one year.

Another tool used by the City to reduce its long-term liability is to pay off accumulated sick leave for employees who have a balance in excess of 240 hours of sick time remaining in their account at the end of each year. This excess is paid off at the rate of 1 hour for every two hours in excess of the 120 hours. This allows the City to buy back accumulated sick hours at the current hourly rate as opposed to paying for it at a higher rate in the future at the time of retirement of the employee. The employees benefit by having funds available to them currently with the opportunity to invest them and potentially gain a higher rate of return as opposed to a future date.

The various departments within the City have established safety committees to meet the Bureau guidelines and provide the employees with safety equipment to enable them to perform their tasks efficiently and, as much as possible; to help keep the City premises an injury free work place which entitles the City to a 4 percent discount from Summit County Safety Council. Random drug testing policy for employees with CDL licenses also affords an added measure of achieving this goal.

The net assets of our business-type activities decreased by 0.43 percent in 2008. The City generally can only use these net assets to finance the continuing operations of the sewer system, golf course, and fitness center operations.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year in comparison to 2007.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2008

Table 2
Statement of Activities

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program revenues:						
Charges for services	\$ 2,824,920	\$ 2,609,478	\$ 5,070,425	\$ 5,835,331	\$ 7,895,345	\$ 8,44,809
Operating grants and contributions	51,025	19,210	-	-	51,025	19,210
Capital grants and contributions	<u>2,007,897</u>	<u>92,500</u>	<u>-</u>	<u>103,132</u>	<u>2,007,897</u>	<u>195,632</u>
Total program revenue	<u>4,883,842</u>	<u>2,721,188</u>	<u>5,070,425</u>	<u>5,938,463</u>	<u>9,954,267</u>	<u>8,659,651</u>
General revenues:						
Property taxes	1,426,681	1,166,814	-	-	1,426,681	1,166,814
Income taxes	18,125,788	17,831,959	-	-	18,125,788	17,831,959
Grants and entitlements not restricted to specific purposes	2,233,542	3,091,200	-	-	2,233,542	3,091,200
Investment earnings	622,598	1,177,477	28,658	52,157	651,256	1,229,634
Miscellaneous	66,719	23,706	-	-	66,719	23,706
Transfers	-	-	<u>584,572</u>	<u>505,000</u>	<u>584,572</u>	<u>505,000</u>
Total general revenues	<u>22,475,328</u>	<u>23,291,156</u>	<u>613,230</u>	<u>557,157</u>	<u>23,088,558</u>	<u>23,848,313</u>
Total revenues	<u>27,359,170</u>	<u>26,012,344</u>	<u>5,683,655</u>	<u>6,495,620</u>	<u>33,042,825</u>	<u>32,507,964</u>
Program expenses:						
General government	3,946,466	5,889,322	-	-	3,946,466	5,889,322
Security of persons and property	9,786,253	7,674,239	-	-	9,786,253	7,674,239
Transportation	8,220,881	7,099,470	-	-	8,220,881	7,099,470
Leisure time activities	1,919,690	1,852,287	-	-	1,919,690	1,852,287
Community development	572,972	5,935,997	-	-	572,972	5,935,997
Basic utility services	13,467	6,176	-	-	13,467	6,176
Interest and fiscal charges	830,913	826,764	-	-	830,913	826,764
Sewer	-	-	3,055,895	3,879,794	3,055,895	3,879,794
Golf course	-	-	1,123,407	1,153,060	1,123,407	1,153,060
Fitness center	-	-	1,704,152	1,470,663	1,704,152	1,470,663
Transfers	<u>584,572</u>	<u>505,000</u>	<u>-</u>	<u>-</u>	<u>584,572</u>	<u>505,000</u>
Total program expenses	<u>25,875,214</u>	<u>29,789,255</u>	<u>5,883,454</u>	<u>6,503,517</u>	<u>31,758,668</u>	<u>36,292,772</u>
Change in net assets	\$ <u>1,483,956</u>	\$ <u>(3,776,911)</u>	\$ <u>(199,799)</u>	\$ <u>(7,897)</u>	\$ <u>1,284,157</u>	\$ <u>(3,784,808)</u>

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2008

Governmental Activities

Several revenue sources fund our governmental activities with the City income tax being the largest contributor. The City's income tax rate is two percent on gross income and has not changed since 1997. Residents of the City who work in another community and pay the withholding tax for that community receive a 100 percent tax credit on their City tax for 100 percent, the credit limit being 2 percent. During 2008, the revenues generated from this tax amounted to \$18,125,788. The increase in income tax revenue from 2007 was 1.65 percent attributed to the transition period for the city to turn over the management and collection of the city's income taxes over to the Regional Income Tax Agency. The City continues to enforce the delinquent letter program and the subpoena program to ensure compliance with the local tax laws.

Security of Persons and Property and General Government are the major activities of the City generating percent of the governmental expenses. Currently, there are 35 full-time sworn officers, 2 sworn part-time officers/jailers and a civilian support staff of 16 employees in the police department. During 2008, the department still continues to place strong emphasis on the training of its employees in order to keep up with the rapidly changing laws, practices and technology. Each police officer has the opportunity to receive a minimum of 32 hours of in-house, in-service training annually in addition to participation in other training courses offered locally, regionally and statewide. Security of Persons and Property and General Government are the major activities of the City, generating 53.07 percent of the governmental expenses, including transfers. During 2008, the department continued to place strong emphasis on equipment and technology available to increase safety and maximize efficiency by utilizing available grants to minimize the cost to the City. . The police department in conjunction with the new Stow Municipal Court successfully implemented the e-citation system for which the Court awarded the department \$5,000 in 2007 for volunteering to be the first police department in the Court's jurisdiction to test e-citation. The e-cite system virtually eliminates the need for a patrol officer to utilize handwritten traffic citations in lieu of issuing the citation using the patrol vehicle's mobile data terminal (MDT) and a portable printer. The citation information is then electronically transferred to the Court streamlining operations for both the police department and the Court. Through a grant from Windstream Communications, the police department purchased an automatic vehicle locator system (AVL). A global positioning system transmitter/receiver was added to each patrol vehicle equipped with a MDT. Mapping software allows the Communications Center and all vehicles operating a MDT to 'see' the location of each vehicle in real time adding a level of officer safety and efficiency to the department's operations. Finally, the department received a grant from the Ohio Office of Criminal Justice Services to purchase ballistic helmets for all sworn officers.

The fire department consists of 33 full-time and 29 part-time fire fighters. All but one of these fire fighters is fully trained paramedics. Training plays a crucial role in the day-to-day operation of the fire department. Techniques such as driving rodeos, live practice burn-downs, continuing education classes, practice drills and watching training videos help keep the men and women updated to perform their jobs most efficiently. The department handled. There were 2,250 calls for assistance of which approximately 1,733 were for EMS and 517 for fire and fire related incidents. The total cost of operating the Fire and EMS department during 2008 was \$4,213,835 within the General Fund. As a result of entering into a contract with Life Force Management, Inc. for the EMS billing services the City received \$408,374 in revenue. The fire department received a State of Ohio EMS grant for \$3,500 for two officers that attended the Ohio Fire Executive Training Program in Columbus, Ohio.

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The annual road program, which is used primarily to provide maintenance and preservation of existing roadways, will cost about \$676,500. Improvements to sanitary, water, storm water, traffic signals and sidewalks are anticipated to cost an additional \$2,284,000. Approximately \$1,249,000 of this cost will come from various fund accounts and not from capital.

Business-Type Activities

The Business-Type activities of the City, which include the City's sewer, golf course, and fitness center operations, decreased the City's net assets by \$199,799.

Net program revenues exceeded net program expenses in the amount of \$28,661 for the sewer operations for 2008. This is due to decreased operating expenses.

Net program expenses exceeded program revenue in the amount of \$787,301 for the fitness center operations for 2008. Although memberships increased 5% over 2007, this is due to increased operating expenses. The City is planning on analyzing the operations of the fitness center to determine where it can be more efficient.

Net program expenses exceeded program revenues in the amount of \$54,389 for the golf course operations for 2008.

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$26,414,833 and expenditures and other financing uses of \$27,343,796.

The net change in fund balance for the year was most significant in the General Fund showing a decrease in fund balance of \$767,868 in 2008 which decreases the beginning fund balance of \$8,024,479 to \$7,256,611. The Capital Improvement Capital Projects Fund also reflected a decrease of \$141,640. Overall the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held council meeting, which is open to the public; the budget is adopted by City council. Council must approve legislation for any revisions in the budget that alter totals or the total appropriations for any department or fund. The finance department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2008

For the General Fund, final budget basis revenue was \$553,287 under the original budget estimates of \$19,037,823. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenue areas. The final appropriations, including other financing uses of \$21,232,746 were sufficient to meet the expenditures and other financing uses for the year, which ended up at \$19,320,396.

The City's ending unobligated budgetary fund balance was \$1,947,273 higher than the final budgeted amount.

Business-Type Funds

The City's major Enterprise funds consist of the Sewer Fund, Golf Course Fund, and the Fitness Center Fund. The basic financial statements for the major funds are included in this report.

Proprietary Funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Fitness Center, and Golf Course Funds. The basic proprietary fund financial statements can be found on pages 26 through 29 of this report.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the City of Twinsburg had \$168,162,014 invested in land, buildings, equipment and infrastructure.

Table 3 shows fiscal 2008 balances of Capital Assets as compared to the 2007 balances:

Table 3
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Construction in process	\$ 323,766	\$ 41,481	\$ -	\$ -	\$ 323,766	\$ 41,481
Land and land improvements	25,857,443	26,207,443	2,843,237	2,828,282	28,700,680	29,035,725
Buildings	10,164,551	10,132,169	23,890,377	23,890,377	34,054,928	34,022,546
Machinery and equipment	4,693,572	4,619,554	2,526,519	2,415,422	7,220,091	7,034,976
Vehicles	5,575,417	5,307,070	657,317	659,047	6,232,734	5,966,117
Infrastructure:						
Roads	52,184,975	50,657,904	-	-	52,184,975	50,657,904
Water mains	31,152,085	30,264,693	-	-	31,152,085	30,264,693
Storm sewers and culverts	32,466,898	31,587,317	-	-	32,466,898	31,587,317
Traffic signs and signals	1,043,649	660,963	-	-	1,043,649	660,963
Street lights	1,576,664	1,562,118	-	-	1,576,664	1,562,118
Sanitary sewer lines	-	-	29,559,154	29,210,125	29,559,154	29,210,125
Less: accumulated depreciation	<u>(41,856,534)</u>	<u>(38,986,457)</u>	<u>(14,497,076)</u>	<u>(13,572,986)</u>	<u>(56,353,610)</u>	<u>(52,559,443)</u>
Total capital assets	<u>\$ 123,182,486</u>	<u>\$ 122,054,255</u>	<u>\$ 44,979,528</u>	<u>\$ 45,430,267</u>	<u>\$ 168,162,014</u>	<u>\$ 167,484,522</u>

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2008

The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as fire trucks and ambulances are planned for well in advance by the respective department heads and a scheduled maintenance and replacement time-table is followed to provide peak performance for the maximum time frame. Vehicles no longer in service are either traded in or sold at an auction or on-line.

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the streets, bridges, culverts and sewer lines in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or crack sealed and in the case of concrete roads, either replaced or repaired. After approval from council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the Capital Improvement Fund of the City.

The City is committed to a long-term goal of meeting the needs of its infrastructure and facilities. We have a five-year capital plan in place that provides for street improvements and adding additional facilities to complement our current structures. Additional information concerning the City's capital assets can be found in the notes to the financial statements.

Debt

At December 31, 2008, the City of Twinsburg had \$18,023,357 in outstanding debt and compensated absences, of which \$13,945,027 was in General Obligation Bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4
 Outstanding Debt at Year End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General Obligation Bonds	\$ 12,085,024	\$ 12,590,163	\$ 1,860,003	\$ 1,965,003	\$ 13,945,027	\$ 14,555,166
Special Assessment Bonds	349,000	380,000	30,000	40,000	379,000	420,000
ODOT loan payable	1,525,436	1,709,374	-	-	1,525,436	1,709,374
Capital Lease payable	63,816	-	53,027	-	116,843	-
Compensated Absences	<u>1,726,487</u>	<u>1,790,620</u>	<u>330,564</u>	<u>357,697</u>	<u>2,057,051</u>	<u>2,148,317</u>
Total	\$ <u>15,749,763</u>	\$ <u>16,470,157</u>	\$ <u>2,273,594</u>	\$ <u>2,362,700</u>	\$ <u>18,023,357</u>	\$ <u>18,832,857</u>

General obligation bonds are composed of park land and conservation, senior citizens center, and road improvements. The special assessment bonds consist of the taxpayer portion of water, sewer, and road improvements. ODOT loan is composed of road improvements.

Other obligations include compensated absences and capital lease obligations. Additional information concerning the City's debt can be found in the notes to the financial statements.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2008

Current Related Financial Activities

In the future, the City of Twinsburg will be facing some challenges applicable to our revenue base. Despite the fact that the City had a strong financial cash position in 2008, the City will be taking a proactive position to ensure it stays that way. The City of Twinsburg's systems of budgeting and internal control are well regarded. The City is prepared to meet the challenges of the future. In conclusion, management has been committed to providing the residents of the City of Twinsburg with full disclosure of the financial position of the City.

Over the last year, the City's economy has remained relatively stable even while other communities have experienced significant employment losses. In early 2009, Chrysler announced the closing of the Twinsburg stamping plant. The plant is expected to close in 2010 and will have a significant impact on the City's income tax revenues. Management meets frequently to discuss current operating conditions and strategize for new business alternatives. City and state agencies plan to establish a task force to provide support for both the City and the plant's employees. The task force will also focus on redeveloping the factory site for a possible future tenant.

Contacting the City of Twinsburg's Finance Department

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Director of Finance, Karen Howse, City of Twinsburg, 10075 Ravenna Road, Twinsburg, Ohio 44087, telephone (330) 425-7161, or web site at my.twinsburg.com.

City of Twinsburg, Ohio

Statement of Net Assets

December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 17,690,563	\$ 3,341,797	\$ 21,032,360
Restricted cash	35,163	-	35,163
Materials and supplies inventory	187,344	41,166	228,510
Accrued interest receivable	188,983	1,218	190,201
Accounts receivable	99,194	701,310	800,504
Intergovernmental receivable	751,254	-	751,254
Income taxes receivable	3,896,969	-	3,896,969
Special assessments receivable	23,228	44,198	67,426
Property taxes receivable	1,226,924	-	1,226,924
Nondepreciable capital assets	23,270,469	2,681,150	25,951,619
Depreciable capital assets, net	<u>99,912,017</u>	<u>42,298,378</u>	<u>142,210,395</u>
Total assets	<u>147,282,108</u>	<u>49,109,217</u>	<u>196,391,325</u>
Liabilities:			
Accounts payable	588,444	51,804	640,248
Accrued wages and benefits	315,755	68,138	383,893
Intergovernmental payable	549,666	9,539	559,205
Deferred revenue	1,168,338	199,659	1,367,997
Accrued interest payable	64,212	7,490	71,702
Long-term liabilities:			
Due within one year	1,629,598	215,203	1,844,801
Due in more than one year	<u>14,120,165</u>	<u>2,058,391</u>	<u>16,178,556</u>
Total liabilities	<u>18,436,178</u>	<u>2,610,224</u>	<u>21,046,402</u>
Net assets:			
Invested in capital assets, net of related debt	109,159,210	43,036,498	152,195,708
Restricted for:			
Unclaimed monies	35,163	-	35,163
Capital projects	10,072,077	-	10,072,077
Other purposes	4,067,423	-	4,067,423
Unrestricted	<u>5,512,057</u>	<u>3,462,495</u>	<u>8,974,552</u>
Total net assets	<u>\$ 128,845,930</u>	<u>\$ 46,498,993</u>	<u>\$ 175,344,923</u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Activities

For The Year Ended December 31, 2008

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 3,946,466	\$ 1,163,692	\$ -	\$ -
Security of persons and property	9,786,253	518,263	50,975	-
Transportation	8,220,881	351,308	-	2,007,897
Leisure time activities	1,919,690	395,065	-	-
Community development	572,972	396,592	50	-
Basic utility service	13,467	-	-	-
Interest and fiscal charges	830,913	-	-	-
Total governmental activities	<u>25,290,642</u>	<u>2,824,920</u>	<u>51,025</u>	<u>2,007,897</u>
Business-type activities:				
Sewer	3,055,895	3,084,556	-	-
Golf	1,123,407	1,069,018	-	-
Fitness center	<u>1,704,152</u>	<u>916,851</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>5,883,454</u>	<u>5,070,425</u>	<u>-</u>	<u>-</u>
Total	\$ <u>31,174,096</u>	\$ <u>7,895,345</u>	\$ <u>51,025</u>	\$ <u>2,007,897</u>

General revenues:

Property and other local taxes levied for:

 General purposes

 Debt service

Municipal income taxes levied for:

 General purposes

 Capital outlay

Grants and entitlements not restricted to specific programs

Investment income

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning of year

Net assets end of year

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,782,774)	\$ -	\$ (2,782,774)
(9,217,015)	-	(9,217,015)
(5,861,676)	-	(5,861,676)
(1,524,625)	-	(1,524,625)
(176,330)	-	(176,330)
(13,467)	-	(13,467)
(830,913)	-	(830,913)
<u>(20,406,800)</u>	<u>-</u>	<u>(20,406,800)</u>
-	28,661	28,661
-	(54,389)	(54,389)
-	<u>(787,301)</u>	<u>(787,301)</u>
-	<u>(813,029)</u>	<u>(813,029)</u>
<u>(20,406,800)</u>	<u>(813,029)</u>	<u>(21,219,829)</u>
579,530	-	579,530
847,151	-	847,151
15,182,655	-	15,182,655
2,943,133	-	2,943,133
2,233,542	-	2,233,542
622,598	28,658	651,256
66,719	-	66,719
<u>(584,572)</u>	<u>584,572</u>	<u>-</u>
<u>21,890,756</u>	<u>613,230</u>	<u>22,503,986</u>
1,483,956	(199,799)	1,284,157
<u>127,361,974</u>	<u>46,698,792</u>	<u>174,060,766</u>
\$ <u><u>128,845,930</u></u>	\$ <u><u>46,498,993</u></u>	\$ <u><u>175,344,923</u></u>

City of Twinsburg, Ohio

Balance Sheet Governmental Funds

December 31, 2008

	<u>General</u>	<u>Park Debt</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 4,357,639	\$ 23,898
Restricted cash	35,163	-
Income taxes receivable	3,896,969	-
Property taxes receivable	-	845,496
Accounts receivable	99,194	-
Accrued interest receivable	188,983	-
Special Assessment receivable	23,228	-
Intergovernmental receivable	389,379	-
Materials and supplies inventory	<u>187,344</u>	<u>-</u>
Total assets	<u>\$ 9,177,899</u>	<u>\$ 869,394</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 235,740	\$ -
Accrued wages	168,460	-
Intergovernmental payable	288,258	-
Deferred revenue	<u>1,228,830</u>	<u>845,496</u>
Total liabilities	<u>1,921,288</u>	<u>845,496</u>
Fund balances:		
Reserved for encumbrances	31,486	-
Reserved for inventory	187,344	-
Reserved for unclaimed monies	35,163	-
Unreserved:		
Undesignated, reported in:		
General fund	7,002,618	-
Special revenue funds	-	-
Debt service funds	-	23,898
Capital project funds	<u>-</u>	<u>-</u>
Total fund balances	<u>7,256,611</u>	<u>23,898</u>
Total liabilities and fund balances	<u>\$ 9,177,899</u>	<u>\$ 869,394</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Improvement</u>	<u>Street Construction</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 9,946,595	\$ 1,747,042	\$ 1,615,389	\$ 17,690,563
-	-	-	35,163
-	-	-	3,896,969
-	-	381,428	1,226,924
-	-	-	99,194
-	-	-	188,983
-	-	-	23,228
-	320,804	41,071	751,254
-	-	-	187,344
<u>\$ 9,946,595</u>	<u>\$ 2,067,846</u>	<u>\$ 2,037,888</u>	<u>\$ 24,099,622</u>
\$ 146,894	\$ 203,736	\$ 2,074	\$ 588,444
-	-	147,295	315,755
-	-	261,408	549,666
-	213,846	410,127	2,698,299
<u>146,894</u>	<u>417,582</u>	<u>820,904</u>	<u>4,152,164</u>
1,394,682	242,816	73,882	1,742,866
-	-	-	187,344
-	-	-	35,163
-	-	-	7,002,618
-	1,407,448	871,626	2,279,074
-	-	126,281	150,179
<u>8,405,019</u>	<u>-</u>	<u>145,195</u>	<u>8,550,214</u>
<u>9,799,701</u>	<u>1,650,264</u>	<u>1,216,984</u>	<u>19,947,458</u>
<u>\$ 9,946,595</u>	<u>\$ 2,067,846</u>	<u>\$ 2,037,888</u>	<u>\$ 24,099,622</u>

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City of Twinsburg, Ohio

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

December 31, 2008

Total Governmental Fund Balances \$ 19,947,458

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 123,182,486

Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds:

Property and other taxes	\$ 58,586
Municipal income taxes	923,126
Special assessments	23,228
Charges for services	22,402
Intergovernmental	<u>502,619</u>

Total 1,529,961

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (64,212)

Long term liabilities are not due and payable in the current period and are therefore not reported in the funds

General obligation bonds	(12,085,024)
Special assessment bonds	(349,000)
ODOT loan payable	(1,525,436)
Leases payable	(63,816)
Compensated absences	<u>(1,726,487)</u>

Total (15,749,763)

Net assets of governmental activities \$ 128,845,930

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For The Year Ended December 31, 2008

	<u>General</u>	<u>Park Debt</u>
Revenues:		
Property and other taxes	\$ -	\$ 847,151
Municipal income tax	14,746,375	-
Other local taxes	123,456	-
Intergovernmental	866,191	-
Charges for services	1,249,342	-
License and permits	319,895	-
Fines and forfeitures	113,805	-
Investment income	622,598	-
Reimbursements received	562,872	-
Miscellaneous income	62,658	-
Total revenues	<u>18,667,192</u>	<u>847,151</u>
Expenditures:		
Current operations and maintenance:		
Security of persons and property	8,505,516	-
Leisure time activities	1,768,986	-
Community development	1,413,841	-
Basic utility service	-	-
Transportation	3,179,688	-
General government	3,570,445	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	275,139
Interest and fiscal charges	-	576,007
Total expenditures	<u>18,438,476</u>	<u>851,146</u>
Excess of revenues over (under) expenditures	<u>228,716</u>	<u>(3,995)</u>
Other financing sources (uses):		
Inception of capital leases	-	-
Proceeds from the sale of capital assets	-	-
Loan proceeds	-	-
Transfers - in	-	-
Transfers - out	(996,584)	-
Total other financing sources (uses)	<u>(996,584)</u>	<u>-</u>
Net change in fund balances	(767,868)	(3,995)
Fund balance beginning of year	<u>8,024,479</u>	<u>27,893</u>
Fund balance end of year	\$ <u><u>7,256,611</u></u>	\$ <u><u>23,898</u></u>

The accompanying notes are an integral part of these financial statements

<u>Capital Improvement</u>	<u>Street Construction</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ -	\$ -	\$ 449,015	\$ 1,296,166
2,943,133	-	-	17,689,508
-	-	-	123,456
571,854	653,585	128,639	2,220,269
-	-	128,583	1,377,925
-	304,414	-	624,309
-	-	-	113,805
-	-	-	622,598
-	-	49,523	612,395
<u>16,389</u>	<u>14,020</u>	<u>28,383</u>	<u>121,450</u>
<u>3,531,376</u>	<u>972,019</u>	<u>784,143</u>	<u>24,801,881</u>
-	-	1,116,163	9,621,679
-	-	22,345	1,791,331
-	-	-	1,413,841
-	-	13,467	13,467
1,069,127	904,443	75,619	5,228,877
-	-	2,074	3,572,519
2,358,999	-	-	2,358,999
-	-	506,506	781,645
-	-	<u>265,932</u>	<u>841,939</u>
<u>3,428,126</u>	<u>904,443</u>	<u>2,002,106</u>	<u>25,624,297</u>
<u>103,250</u>	<u>67,576</u>	<u>(1,217,963)</u>	<u>(822,416)</u>
123,754	-	-	123,754
292,703	-	-	292,703
61,568	-	-	61,568
-	-	1,134,927	1,134,927
<u>(722,915)</u>	<u>-</u>	<u>-</u>	<u>(1,719,499)</u>
<u>(244,890)</u>	<u>-</u>	<u>1,134,927</u>	<u>(106,547)</u>
(141,640)	67,576	(83,036)	(928,963)
<u>9,941,341</u>	<u>1,582,688</u>	<u>1,300,020</u>	<u>20,876,421</u>
\$ <u>9,799,701</u>	\$ <u>1,650,264</u>	\$ <u>1,216,984</u>	\$ <u>19,947,458</u>

City of Twinsburg, Ohio

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For The Year Ended December 31, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (928,963)

*Amounts reported for Governmental Activities in the Statement of
Activities are different because:*

Governmental Funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	\$	5,446,911	
Depreciation		<u>(3,663,991)</u>	
Total			1,782,920

In the Statement of Activities, only the loss on the disposal of property and equipment are reported, whereas, in the Governmental Funds, the proceeds from the disposal increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the property and equipment. (654,689)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Funds.

Property and other taxes		7,059	
Municipal income taxes		436,280	
Special assessment		23,228	
Charges for services		22,403	
Intergovernmental		<u>64,298</u>	
Total			553,268

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 781,645

Loan Payable increased long-term liabilities in the statement of net assets (61,568)

Other financing sources in the Governmental Funds increase long-term liabilities in the Statement of Net Assets. These sources were attributed to the inception of capital leases. (123,754)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Compensated absences		64,133	
Capital leases		59,938	
Accrued interest on bonds		<u>11,026</u>	
Total			<u>135,097</u>

Change in Net Assets of Governmental Activities \$ 1,483,956

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual

General Fund

For The Year Ended December 31, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 14,800,000	\$ 14,324,445	\$ 14,324,445	\$ -
Other local taxes	115,274	115,477	115,477	-
Intergovernmental	928,831	930,469	930,470	1
Charges for services	1,258,777	1,260,997	1,260,998	1
License and permits	319,332	319,895	319,895	-
Fines and forfeitures	108,010	108,201	108,201	-
Investment income	826,040	827,498	827,498	-
Reimbursement received	568,813	569,817	569,817	-
Other	112,746	27,737	62,658	34,921
Total revenue	<u>19,037,823</u>	<u>18,484,536</u>	<u>18,519,459</u>	<u>34,923</u>
Expenditures:				
Current:				
Security of property and persons	9,059,240	9,308,321	8,513,197	795,124
Leisure time activities	1,884,701	1,936,403	1,816,450	119,953
Community development	1,516,752	1,558,481	1,426,229	132,252
Transportation	3,283,723	3,374,065	3,087,744	286,321
General government	3,866,394	3,966,480	3,480,192	486,288
Total expenditures	<u>19,610,810</u>	<u>20,143,750</u>	<u>18,323,812</u>	<u>1,819,938</u>
Excess of revenues over (under) expenditures	(572,987)	(1,659,214)	195,647	1,854,861
Other financing sources (uses):				
Transfers – out	<u>(1,059,837)</u>	<u>(1,088,996)</u>	<u>(996,584)</u>	<u>92,412</u>
Net change in fund balance	(1,632,824)	(2,748,210)	(800,937)	1,947,273
Fund balance beginning of the year	5,144,413	5,144,413	5,144,413	-
Outstanding encumbrances at year end	<u>49,326</u>	<u>49,326</u>	<u>49,326</u>	<u>-</u>
Fund balance end of the year	\$ <u>3,560,915</u>	\$ <u>2,445,529</u>	\$ <u>4,392,802</u>	\$ <u>1,947,273</u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual

Street Construction Fund

For The Year Ended December 31, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	603,997	649,769	649,768	(1)
License and permits	282,971	304,414	304,414	-
Other	<u>13,032</u>	<u>14,020</u>	<u>14,020</u>	-
Total revenue	900,000	968,203	968,202	(1)
Expenditures:				
Current:				
Transportation	<u>1,325,251</u>	<u>1,325,251</u>	<u>1,082,611</u>	<u>242,640</u>
Net change in fund balance	(425,251)	(357,048)	(114,409)	242,639
Fund balance beginning of the year	1,606,251	1,606,251	1,606,251	-
Outstanding encumbrances at year end	<u>255,200</u>	<u>255,200</u>	<u>255,200</u>	-
Fund balance end of the year	\$ <u><u>1,436,200</u></u>	\$ <u><u>1,504,403</u></u>	\$ <u><u>1,747,042</u></u>	\$ <u><u>242,639</u></u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Fund Net Assets Proprietary Funds

December 31, 2008

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 3,057,186	\$ 83,162	\$ 201,449	\$ 3,341,797
Receivables:				
Accounts receivable	697,936	-	3,374	701,310
Special assessments receivable	44,198	-	-	44,198
Accrued interest receivable	1,218	-	-	1,218
Materials and supplies inventory	41,166	-	-	41,166
Total current assets	<u>3,841,704</u>	<u>83,162</u>	<u>204,823</u>	<u>4,129,689</u>
Non-current assets:				
Nondepreciable capital assets	31,150	2,650,000	-	2,681,150
Depreciable capital assets, net	<u>32,460,323</u>	<u>304,007</u>	<u>9,534,048</u>	<u>42,298,378</u>
Total non-current assets	<u>32,491,473</u>	<u>2,954,007</u>	<u>9,534,048</u>	<u>44,979,528</u>
Total assets	<u>36,333,177</u>	<u>3,037,169</u>	<u>9,738,871</u>	<u>49,109,217</u>
Liabilities:				
Current liabilities:				
Accounts payable	16,900	903	34,001	51,804
Accrued wages	68,138	-	-	68,138
Intergovernmental payable	9,539	-	-	9,539
Accrued interest payable	158	7,332	-	7,490
Deferred revenue	-	-	199,659	199,659
Due within one year	<u>70,049</u>	<u>140,164</u>	<u>4,990</u>	<u>215,203</u>
Total current liabilities	<u>164,784</u>	<u>148,399</u>	<u>238,650</u>	<u>551,833</u>
Long-term liabilities (net of current portion):				
Special assessment bonds payable	20,000	-	-	20,000
General obligation bonds payable	-	1,750,003	-	1,750,003
Capital Lease Payable	-	35,880	-	35,880
Compensated absences	<u>204,771</u>	<u>27,577</u>	<u>20,160</u>	<u>252,508</u>
Total long-term liabilities	<u>224,771</u>	<u>1,813,460</u>	<u>20,160</u>	<u>2,058,391</u>
Total liabilities	<u>389,555</u>	<u>1,961,859</u>	<u>258,810</u>	<u>2,610,224</u>
Net assets:				
Invested in capital assets, net of related debt	32,461,473	1,040,977	9,534,048	43,036,498
Unrestricted (deficit)	<u>3,482,149</u>	<u>34,333</u>	<u>(53,987)</u>	<u>3,462,495</u>
Total net assets	<u>\$ 35,943,622</u>	<u>\$ 1,075,310</u>	<u>\$ 9,480,061</u>	<u>\$ 46,498,993</u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For The Year Ended December 31, 2008

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Operating revenues:				
Charges for services	\$ 3,075,522	\$ 1,069,018	\$ 907,013	\$ 5,051,553
Other	9,034	-	9,838	18,872
Total operating revenues	<u>3,084,556</u>	<u>1,069,018</u>	<u>916,851</u>	<u>5,070,425</u>
Operating expenses:				
Personal services	1,779,213	515,284	806,632	3,101,129
Materials and supplies	254,961	199,226	94,141	548,328
Contractual services	431,880	229,978	484,630	1,146,488
Other operating expenses	-	51,802	-	51,802
Depreciation	<u>587,238</u>	<u>35,181</u>	<u>318,749</u>	<u>941,168</u>
Total operating expenses	<u>3,053,292</u>	<u>1,031,471</u>	<u>1,704,152</u>	<u>5,788,915</u>
Operating income (loss)	<u>31,264</u>	<u>37,547</u>	<u>(787,301)</u>	<u>(718,490)</u>
Non-operating revenue (expenses):				
Investment income	28,658	-	-	28,658
Interest and fiscal charges	<u>(2,603)</u>	<u>(91,936)</u>	<u>-</u>	<u>(94,539)</u>
Total non-operating revenues (expenses)	<u>26,055</u>	<u>(91,936)</u>	<u>-</u>	<u>(65,881)</u>
Income (loss) before transfers	57,319	(54,389)	(787,301)	(784,371)
Transfers-in	<u>-</u>	<u>100,000</u>	<u>484,572</u>	<u>584,572</u>
Change in net assets	57,319	45,611	(302,729)	(199,799)
Net assets beginning of year	<u>35,886,303</u>	<u>1,029,699</u>	<u>9,782,790</u>	<u>46,698,792</u>
Net assets end of year	\$ <u>35,943,622</u>	\$ <u>1,075,310</u>	\$ <u>9,480,061</u>	\$ <u>46,498,993</u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Cash Flows Proprietary Funds

For The Year Ended December 31, 2008

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Increase (decrease) in cash and cash equivalents:				
Cash flows from operating activities:				
Cash received from customers	\$ 3,133,738	\$ 1,069,018	\$ 902,059	\$ 5,104,815
Cash payments for personal services	(1,782,137)	(515,286)	(808,610)	(3,106,033)
Cash payments for contractual services	(511,732)	(236,869)	(460,985)	(1,209,586)
Cash payments for vendors for supplies and materials	(267,803)	(199,226)	(94,141)	(561,170)
Cash received for other operating activities	9,034	-	6,464	15,498
Cash received for other operating activities	-	(51,802)	-	(51,802)
Net cash provided by (used in) operating activities	<u>581,100</u>	<u>65,835</u>	<u>(455,213)</u>	<u>191,722</u>
Cash flows from capital and related financing activities:				
Principal paid on debt maturities	(10,000)	(123,347)	-	(133,347)
Interest paid on debt	(2,652)	(92,180)	-	(94,832)
Payments for capital acquisitions	<u>(358,884)</u>	<u>(33,775)</u>	<u>(26,396)</u>	<u>(419,055)</u>
Net cash used in capital and related financing activities	<u>(371,536)</u>	<u>(249,302)</u>	<u>(26,396)</u>	<u>(647,234)</u>
Cash flows from noncapital financing activities:				
Transfers in	-	100,000	484,572	584,572
Cash flows from investing activities:				
Interest received	<u>32,133</u>	-	-	<u>32,133</u>
Net increase (decrease) in cash and cash equivalents	241,697	(83,467)	2,963	161,193
Cash and cash equivalents, beginning of year	<u>2,815,489</u>	<u>166,629</u>	<u>198,486</u>	<u>3,180,604</u>
Cash and cash equivalents, end of year	\$ <u><u>3,057,186</u></u>	\$ <u><u>83,162</u></u>	\$ <u><u>201,449</u></u>	\$ <u><u>3,341,797</u></u>
Noncash Capital Activities:				
Capital assets acquired through capital Leases	\$ -	\$ 71,374	\$ -	\$ 71,374

(Continued)

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Cash Flows (Continued)

Proprietary Funds

For The Year Ended December 31, 2008

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ <u>31,264</u>	\$ <u>37,547</u>	\$ <u>(787,301)</u>	\$ <u>(718,490)</u>
Adjustments:				
Depreciation	587,238	35,181	318,749	941,168
(Increase) decrease in assets:				
Accounts receivable	(22,832)	-	(3,374)	(26,206)
Materials and supplies inventory	(12,842)	-	-	(12,842)
Special assessments receivable	81,048	-	-	81,048
Increase (decrease) in liabilities:				
Accounts payable	(79,852)	(6,891)	23,645	(63,098)
Accrued wages and benefits	19,435	-	-	19,435
Compensated absences payable	(25,153)	(2)	(1,978)	(27,133)
Intergovernmental payable	2,794	-	-	2,794
Deferred revenue	-	-	(4,954)	(4,954)
Total adjustments	<u>549,836</u>	<u>28,288</u>	<u>332,088</u>	<u>910,212</u>
Net cash provided by (used in) operating activities:	\$ <u>581,100</u>	\$ <u>65,835</u>	\$ <u>(455,213)</u>	\$ <u>191,722</u>

City of Twinsburg, Ohio

Notes to the Basic Financial Statements

For The Year Ended December 31, 2008

Note 1: The Reporting Entity

The City of Twinsburg is a home rule municipal corporation established under the laws of the State of Ohio, which operates under its own Charter. The current Charter, which provides for a mayor-council form of government, was adopted November 3, 1981.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Twinsburg, this includes police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, refuse collection, a wastewater treatment plant and general administrative services. The City's departments include a public safety department, a public service department, a street maintenance department, a sanitation system, a parks and recreation department, a planning and zoning department, and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process.

The City of Twinsburg is divided into various departments and financial management and control systems. The City departments include a public safety department, a public service department, a street maintenance department, a sanitation system, a parks and recreation department, a planning and zoning department, a waste water treatment system, and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process and therefore is included as a part of the reportable entity.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

Jointly Governed Organizations

Northeast Ohio Public Energy Council – The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 92 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 1: The Reporting Entity (continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Twinsburg did not contribute to NOPEC during 2008. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

Note 2: Summary of Significant Accounting Policies

The financial statements of the City of Twinsburg have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the City.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Twinsburg and/or the general laws of Ohio.

Street Construction Fund - This fund is required by the Ohio Revised Code to account for that portion of the state gasoline tax and motor vehicle registration fees for maintenance of state highways within the City.

Park Debt Fund - The park debt fund accounts for that portion of municipal income tax designated by Council for the purpose of improving parks and paying off debt associated with maintenance of the parks.

Capital Improvement Fund - The capital improvement fund accounts for that portion of municipal income tax designated by Council for the purpose of improving, constructing, maintaining, and purchasing those items necessary to enhance the operation of the City.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Golf Course Fund - The golf course fund accounts for the operations of the golf course.

Fitness Center Fund - The fitness center fund accounts for the operations of the fitness center.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has no agency funds.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Available period for the City is sixty days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, licenses and permits, interest, grants and rentals.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2008 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

An annual appropriated budget is legally required to be prepared for all funds of the City other than agency funds. Council passes appropriations at the line item level except for capital projects funds which are appropriated by department or project. Line item appropriations may be transferred between the accounts with the approval of the City Council. Council must approve any revisions in the budget that alter total fund appropriations. The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

Tax Budget

A tax budget of estimated revenue and expenditures for all funds other than agency funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the Finance Director determines that revenue to be collected will be greater than or less than the prior estimates and the budget commission finds the revised estimates to be reasonable. The amounts reported in the budgetary statements as original represent the amounts in the first official certificate of estimated resources issued during 2008. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2008.

Annual Estimate

The Mayor, with the assistance of the Finance Director, is required by Charter to submit to Council, on or before December 1 of each fiscal year, an estimate of the revenues and expenditures of each fund of the City for the next succeeding fiscal year. The annual estimate serves as the basis for appropriations (the appropriated budget) in each fund.

Appropriations

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. During the year, several supplemental appropriation measures were necessary. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget for each fund that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

Budgeted Level of Expenditure

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. Council appropriations are made to personal services, travel and education, contractual services, supplies and materials, capital outlay, other expenditures, debt principal and interest payments, and transfer accounts for each department. Capital projects funds are appropriated by department or project. The appropriations set by Council must remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within Council's appropriated amount.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures of governmental funds. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds, and as a note disclosure for proprietary funds.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, except the investment trust fund, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

Investments are reported at fair value, which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

During the year, the City invested in STAROhio, an investment pool managed by the State Treasurer's Office. STAROhio which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2008.

Interest allocation is determined by the Ohio Constitution, state statutes, and local ordinances adopted under City Charter. Under these provisions, City funds required to receive interest allocations are: 1) those which receive proceeds from the sale of notes and/or bonds and 2) those which receive distributions of state gasoline tax and motor vehicle licenses fees (street maintenance and state highway special revenue funds). All remaining interest is allocated to the general fund. Legally, proprietary funds generally do not receive interest.

G. Inventory

Inventories are stated at cost, on the first-in, first-out basis. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventories of proprietary funds are valued using the first-in/first out method and are expensed when used rather than when purchased.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars, which was increased from five hundred dollars. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	5 to 50 years
Machinery and equipment	5 to 30 years
Vehicles	10 to 15 years
Infrastructure	20 to 100 years

J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

K. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the City's termination policy. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the fund financial statements when due.

M. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances and inventories.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2008, the City of Twinsburg had no assets restricted by enabling legislation in the statements of net assets.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer, golf course, and fitness center programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

R. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 3: Change in Accounting Principle

For 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and GASB Statement No. 50, *Pension Disclosures*.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The City has determined that the adoption of this statement did not have an impact on the City's financial statements; however, note disclosures related to post-employment benefits have been modified. An OPEB liability at transition was determined in accordance with this Statement for the OP&F post-employment healthcare plans in the amount of \$71,285, which is the same as the previously reported liabilities.

GASB Statement No. 49 provides guidance on how to calculate and report costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements.

The implementation of GASB Statements No. 45, 49, and No. 50 did not affect the presentation of the financial statements of the City.

Note 4: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are treated as expenditures (budget basis) rather than a reservation of fund balance (GAAP basis).

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 4: Budgetary Basis of Accounting (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Street Construction Fund.

	<u>General</u>	<u>Street Construction</u>
GAAP basis	\$ (767,868)	\$ 67,576
Increase (decrease) due to:		
Revenue accruals	(147,733)	(3,817)
Expenditure accruals	65,338	(433,368)
Outstanding encumbrances	<u>49,326</u>	<u>255,200</u>
Budget basis	\$ <u>(800,937)</u>	<u>(114,409)</u>

Note 5: Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City 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 monies 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 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 monies may be deposited or invested in the following securities:

1. United States Treasury notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 5: Deposits and Investments (Continued)

4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

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 City, 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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of City funds shall be required to pledge as security for repayment of all public moneys.

At year-end, the carrying amount of the City's deposits was \$16,607,005 and the bank balance was \$16,910,270. Of the bank balance, \$2,173,588 was covered by the Federal depository insurance, and \$14,736,682 was uninsured and collateralized with securities held by the pledging institution's trust department, not in the City's name.

Investments

Investments are reported at fair value. As of December 31, 2008, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
STAROhio	\$ <u>4,460,518</u>	<u>N/A</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 5: Deposits and Investments (Continued)

Investments (continued)

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 City's investment policy addresses interest rate risk requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City investment policy also limits security purchases to those that mature five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than one year.

Custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City 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 City must meet a set of prescribed standards and be periodically reviewed.

Credit risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. All investments of the city are registered and carry a rating AAA by Standard & Poor's.

Concentration of credit risk is defined by the Governmental Accounting Standards Board as five percent as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. As of December 31, 2008, 100 percent of the City's portfolio is invested in STAROhio.

Note 6: Receivables

Receivables at December 31, 2008 consisted primarily of taxes, intergovernmental receivables arising from grants, entitlements or shared revenues, accounts, special assessments and interest on investments. All receivables are considered fully collectible.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2005. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 6: Receivables (continued)

A. Property Taxes (continued)

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year.

Tangible personal property used in business (except for public utilities) is currently assessed for *ad valorem* taxation purposes at 25 percent of its true value. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30; with the remainder payable by September 20. Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Twinsburg. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2008, was \$1.93 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Category:	<u>Assessed Value</u>
Real estate	\$ 597,293,370
Public utility	6,586,750
Tangible personal	<u>33,127,986</u>
Total	\$ <u>637,008,106</u>

B. Income Taxes

The City levies and collects an income tax of 2.0% on all income earned within the City as well as on income of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. The City, by ordinance, allocates income tax revenues and expenditures for collecting, administering, and enforcing the tax to the General and Capital Projects Funds.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 6: Receivables (continued)

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Governmental activities:

Local government and local government revenue assistance	\$	389,379
CAT tax		11,361
Gasoline and excise tax and state highway distributions		346,814
Permissive motor vehicle license tax		<u>3,700</u>
Total	\$	<u><u>751,254</u></u>

City of Twinsburg, Ohio

Notes to the Basic Financial Statements

For The Year Ended December 31, 2008

Note 7: Capital Assets

Capital asset activity for government the year ended December 31, 2008, was as follows:

	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/08</u>
<i>Governmental Activities:</i>				
Capital assets not being depreciated				
Construction in process	\$ 41,481	\$ 285,645	\$ (3,360)	\$ 323,766
Land	<u>23,296,703</u>	<u>-</u>	<u>(350,000)</u>	<u>22,946,703</u>
Total capital assets not being depreciated	<u>23,338,184</u>	<u>285,645</u>	<u>(353,360)</u>	<u>23,270,469</u>
Capital assets being depreciated				
Land improvements	2,910,740	-	-	2,910,740
Buildings	10,132,169	52,361	(19,979)	10,164,551
Machinery and equipment	4,619,554	74,018	-	4,693,572
Vehicles	5,307,070	284,335	(15,988)	5,575,417
Infrastructure:				
Roads	50,657,904	2,481,359	(954,288)	52,184,975
Water mains	30,264,693	887,392	-	31,152,085
Storm sewers and culverts	31,587,317	957,547	(77,966)	32,466,898
Traffic signs and signals	660,963	383,159	(473)	1,043,649
Streetlights	<u>1,562,118</u>	<u>44,455</u>	<u>(29,909)</u>	<u>1,576,664</u>
Total capital assets being depreciated	<u>137,702,528</u>	<u>5,164,626</u>	<u>(1,098,603)</u>	<u>141,768,551</u>
Less accumulated depreciation:				
Land improvements	(921,962)	(77,421)	-	(999,383)
Buildings	(2,706,086)	(190,699)	3,197	(2,893,588)
Machinery and equipment	(2,454,561)	(294,817)	-	(2,749,378)
Vehicles	(2,681,795)	(352,585)	11,725	(3,022,655)
Infrastructure:				
Roads	(18,208,713)	(1,775,728)	738,627	(19,245,814)
Water mains	(4,210,708)	(311,586)	-	(4,522,294)
Storm sewers and culverts	(6,610,809)	(541,373)	13,025	(7,139,157)
Traffic signs and signals	(398,974)	(56,117)	184	(454,907)
Streetlights	<u>(792,849)</u>	<u>(63,665)</u>	<u>27,156</u>	<u>(829,358)</u>
Total accumulated depreciation	<u>(38,986,457)</u>	<u>(3,663,991)</u>	<u>793,914</u>	<u>(41,856,534)</u>
Net capital assets being depreciated	<u>98,716,071</u>	<u>1,500,635</u>	<u>(304,689)</u>	<u>99,912,017</u>
Governmental activities capital assets, net	\$ <u>122,054,255</u>	\$ <u>1,786,280</u>	\$ <u>(658,049)</u>	\$ <u>123,182,486</u>

Depreciation expense was charged to governmental activities as follows:

Community development	\$ 20,034
General government	84,556
Leisure time activities	197,409
Security of persons and property	434,124
Transportation	<u>2,927,868</u>
Total depreciation expense	<u>\$ 3,663,991</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 7: Capital Assets (continued)

	Balance <u>12/31/07</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/08</u>
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 2,681,150	\$ -	\$ -	\$ 2,681,150
Capital assets being depreciated:				
Land improvements	147,132	14,955	-	162,087
Buildings and improvements	23,890,377	-	-	23,890,377
Machinery and equipment	2,415,422	111,097	-	2,526,519
Vehicles	659,047	15,348	(17,078)	657,317
Infrastructure:				
Sewer lines	<u>29,210,125</u>	<u>349,029</u>	<u>-</u>	<u>29,559,154</u>
Total capital assets being depreciated	56,322,103	490,429	(17,078)	56,795,454
Less: accumulated depreciation	<u>(13,572,986)</u>	<u>(941,168)</u>	<u>17,078</u>	<u>(14,497,076)</u>
Net capital assets being depreciated	<u>42,749,117</u>	<u>(450,739)</u>	<u>-</u>	<u>42,298,378</u>
Total business-type activities capital assets, net	\$ <u>45,430,267</u>	\$ <u>(450,739)</u>	\$ <u>-</u>	\$ <u>44,979,528</u>

Note 8: Long-Term Obligations

A. Original Issues

The original issue date, interest rates and original issuance amount for each of the City's bonds follows:

	<u>Original Issue Date</u>	<u>Original Interest Rate</u>	<u>Issue Amount</u>
General obligation bonds:			
Park land and conservation	2001	3.30% - 7.04%	\$ 10,500,000
Senior citizens center	2002	2.85% - 16.21%	2,399,997
Darrow Road improvement	2003	2.00% - 4.80%	3,065,000
Special Assessment Bonds:			
Case Parkway South	1992	4.75%	715,000
Creekside/Glenwood Improvement	1993	5.00%	462,000
Darrow/Chamberlin	1995	6.00%	191,875
Liberty/Cannon/Chamberlin/Ravenna	2003	2.75 - 5.10%	310,000
Chamberlin Waterline	2005	4.20%-5.00%	62,000
Enterprise Fund Bonds:			
Golf Course Refunding Bonds	1996	2.85% - 16.21%	2,800,000
Cannon/Case North/Darrow Water Impr.	1991	5.40% - 10.00%	1,150,000

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 8: Long-Term Obligations (continued)

B. Bonded Debt and Other Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2008 was as follows:

	<u>Balance</u> <u>12/31/07</u>	<u>Issued</u> <u>(Retired)</u>	<u>Balance</u> <u>12/31/08</u>	<u>Due in</u> <u>One Year</u>
<i>Governmental Activities:</i>				
General obligation bonds:				
Park land and conservation, due through 2021	\$ 8,155,160	\$ (275,139)	\$ 7,880,021	\$ 455,000
Senior citizens center, due through 2021	1,920,003	(105,000)	1,815,003	110,000
Darrow Road improvement, due through 2022	<u>2,515,000</u>	<u>(125,000)</u>	<u>2,390,000</u>	<u>130,000</u>
Total general obligation bonds	<u>12,590,163</u>	<u>(505,139)</u>	<u>12,085,024</u>	<u>695,000</u>
Special assessment bonds:				
Liberty/Cannon/Case/Darrow due through 2023	240,000	(15,000)	225,000	15,000
Creekside/Glenwood improvement, due through 2013	60,000	(10,000)	50,000	10,000
Darrow/Chamberlin, due through 2015	24,000	(3,000)	21,000	3,000
Chamberlin Waterline Due through 2025, restated	<u>56,000</u>	<u>(3,000)</u>	<u>53,000</u>	<u>3,000</u>
Total special assessment bonds	<u>380,000</u>	<u>(31,000)</u>	<u>349,000</u>	<u>31,000</u>
Other long-term obligations:				
ODOT loan payable	1,709,374	61,568		
		(245,506)	1,525,436	259,775
Capital lease payable	-	123,754		
		(59,938)	63,816	63,816
Accrued compensated absences	1,790,620	599,002		
		<u>(663,135)</u>	<u>1,726,487</u>	<u>580,007</u>
Total other long-term obligations	<u>3,499,994</u>	<u>(184,255)</u>	<u>3,315,739</u>	<u>903,598</u>
Total governmental activities	\$ <u>16,470,157</u>	\$ <u>(720,394)</u>	\$ <u>15,749,763</u>	\$ <u>1,629,598</u>
<i>Business-Type Activities:</i>				
General obligation bonds:				
Golf course refunding bonds	\$ <u>1,965,003</u>	\$ <u>(105,000)</u>	\$ <u>1,860,003</u>	\$ <u>110,000</u>
Special assessment bonds:				
Cannon/Case North/Darrow Water improvement, due through 2011	<u>40,000</u>	<u>(10,000)</u>	<u>30,000</u>	<u>10,000</u>
Other long term obligations:				
Capital lease payable	-	71,374		
		(18,347)	53,027	17,147
Accrued compensated absences	357,697	85,171		
		<u>(112,304)</u>	<u>330,564</u>	<u>78,056</u>
Total other long-term obligations	<u>357,697</u>	<u>25,894</u>	<u>383,591</u>	<u>95,203</u>
Total business-type activities	\$ <u>2,362,700</u>	\$ <u>(89,106)</u>	\$ <u>2,273,594</u>	\$ <u>215,203</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 8: Long-Term Obligations (continued)

B. Bonded Debt and Other Long-Term Obligations

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2008 were as follows:

<u>Year</u>	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 805,000	\$ 658,728	\$ 41,000	\$ 18,970	\$ 1,523,698
2010	835,000	626,958	41,000	16,896	1,519,854
2011	865,000	592,970	41,000	14,823	1,513,793
2012	900,000	557,040	31,000	13,001	1,501,041
2013	935,000	518,423	31,000	11,306	1,495,729
2014-2018	5,430,000	1,882,620	96,000	39,058	7,447,678
2019-2023	4,175,027	441,450	90,000	15,733	4,722,210
2024-2025	-	-	8,000	600	8,600
	\$ <u>13,945,027</u>	\$ <u>5,278,189</u>	\$ <u>379,000</u>	\$ <u>130,387</u>	\$ <u>19,732,603</u>

General obligation bonds will be paid from the Bond Retirement Debt Service Fund, Park Debt Service Fund and Golf Fund. Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefited from the project. Special assessment monies will be received in, and the debt will be retired through, the Special Assessment Bond Retirement Debt Service Fund. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments. Compensated absences will be paid from the fund which the employees' salaries are paid. Ohio Department of Transportation loan (ODOT) will be paid from the Bond Retirement Debt Service Fund. See Note 9 for further detail on capital leases.

During the prior year, the City obtained partial proceeds from an ODOT loan to be repaid in monthly principal and interest payments beginning in 2006. The City has not yet collected the total proceeds to be received on this loan and as a result, the debt maturity schedule above does not reflect any amounts for principal or interest. When the loan is finalized, the principal and interest will be included above.

Note 9: Capital Leases

The City has entered into lease agreements as lessee for financing which relate to various equipment and vehicles. These leases are long-term agreements which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases." These amounts represent the present value of the minimum lease payments at the inception of the lease.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 9: Capital Leases (continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Assets:		
Vehicles	\$ 191,699	\$ -
Machinery and equipment	-	89,132
Less: accumulated depreciation	<u>(13,149)</u>	<u>(4,383)</u>
Total	<u>\$ 178,550</u>	<u>\$ 84,749</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments.

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2010	\$ 67,945	\$ 19,876
2011	-	19,342
2012	-	9,583
2013	-	9,583
Total minimum lease payments	67,945	58,384
Less: Amount representing interest	<u>(4,129)</u>	<u>(5,357)</u>
Present value of minimum lease payments	<u>\$ 63,816</u>	<u>\$ 53,027</u>

Lease payments are made from the Capital Improvement Fund and Golf Fund. The lease payments amount will be paid with current, available resources that have accumulated in the fund for payment early in the following year.

Note 10: Compensated Absences

Accumulated unpaid vacation is accrued when earned and is normally paid in the first three months of the subsequent calendar year. In accordance with the Codified Ordinances of the City, unused vacation pay cannot be carried over from year to year. Accordingly, all accrued vacation pay is considered to be a current liability. City employees are paid for earned, unused vacation leave at the time of the termination of their employment.

Sick leave is earned at the rate of ten hours per month for full-time employees and 4.6 hours per eighty hours worked by part-time employees. Each employee with the City is paid for up to 180 days or a maximum of 1,440 hours for PERS employees and 1,740 hours for OP&F employees, upon retirement from the City, and 30 years of service for PERS employees and 20 years of service for retiring police employees. Individuals leaving the employment of the City prior to retirement lose their accumulated sick leave.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 11: Pension Plans

A. *Ohio Public Employees Retirement System*

The City of Twinsburg participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601.

For 2008, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2008, the members of all three plans were required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City contributed 14.0 percent of covered payroll, of which 7.0 percent was used to fund health care coverage for retirees. The contribution rate is determined actuarially. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations, excluding the health-care portion, to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$508,598, \$674,848, and \$633,722, equal to the required contributions for each year. The full amount has been contributed for all 2007 and 2006. 100 percent has been contributed for 2008.

B. *Ohio Police and Fire Pension Fund*

The City of Twinsburg contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 11: Pension Plans (continued)

B. Ohio Police and Fire Pension Fund (continued)

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by state statute. The City of Twinsburg's contributions to the Fund for police and firefighters were \$488,736 and \$540,489 for the year ended December 31, 2008, \$482,690 and \$504,839 for the year ended December 31, 2007, and \$436,366 and \$499,184 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 79 percent for police and 77 percent for firefighters has been contributed for 2008 with the remainder being reported as a liability.

Note 12: Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH, 43215-4642, or by calling (614) 222-5601.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, the City contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 12: Postemployment Benefits (continued)

A. *Ohio Public Employees Retirement System (continued)*

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of the post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care for the years ended December 31, 2008, 2007, and 2006 were \$508,598, \$390,690, and \$316,893, respectively; 100 percent has been contributed for 2008, 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. *Ohio Police and Fire Pension Fund*

The City of Twinsburg contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 E. Town St., Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of the plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio revised Code states that the employer contribution may not exceed 19.5 percent of the covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 12: Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 1150 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F for police and fire for the years ending December 31, 2008, 2007, and 2006 were \$488,736 and \$540,489, \$482,699 and \$504,839, and \$436,366 and \$499,184, respectively, of which \$169,178 and \$152,013, \$162,951 and \$145,344, and \$173,428 and \$161,195, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2007 and 2006. For 2008, 79 percent for police and 77 percent for firefighters has been contributed, with the remainder being reported as a liability.

Note 13: Risk Management

The City maintains comprehensive insurance coverage with private insurance carriers for real property, building contents, vehicle and general liability insurance, and police professional liability insurance.

The City continues to carry health insurance through Medical Mutual of Ohio. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 14: Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

<u>Transfer to</u>	<u>Transfer From</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvement</u>	
Non major governmental funds	\$ 412,012	\$ 722,915	\$ 1,134,927
Golf course fund	100,000	-	100,000
Fitness Center fund	484,572	-	484,572
	<u>\$ 996,584</u>	<u>\$ 722,915</u>	<u>\$ 1,719,499</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

Note 15: Contingencies/Pending Litigation

The City is a party to various legal proceedings. The City's management is of the opinion that the ultimate outcome of such litigation will not have a material adverse effect on the City's financial position.

Note 16: Accountability

The following funds had deficit fund balances at December 31, 2008:

Police Pension	\$ 186,428
Fire Pension	190,275

The deficit fund balance in the Police Pension and Fire Pension were a result of the application of GAAP, namely intergovernmental payable at December 31, 2007. These deficits will be eliminated with future events.

Perry & Associates
Certified Public Accountants, A.C.

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1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

September 11, 2009

City of Twinsburg
Summit County
8 East Washington Street
Twinsburg, Ohio 45701

To the Honorable Mayor and Members of Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the **City of Twinsburg, Summit County, Ohio** (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 11, 2009, wherein we noted the City adopted *Governmental Accounting Standards Board Statements Nos. 45, 49 and 50*. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 a combination of control deficiencies, that adversely affects the City'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 City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City'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 preceding paragraph and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain internal control matters that we reported to the City's management in a separate letter dated September 11, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's basic 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 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*.

We intend this report solely for the information and use of management and City Council. It is not intended for anyone other than these specified parties.

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry and Associates
Certified Public Accountants, A.C.

**CITY OF TWINSBURG
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Lack of controls over financial reporting.	Yes	Finding no longer valid



Mary Taylor, CPA
Auditor of State

CITY OF TWINSBURG

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 10, 2009**