

**CITY OF TWINSBURG
SUMMIT COUNTY
Regular Audit
For the Year Ended December 31, 2009**

Perry & Associates
Certified Public Accountants, A.C.



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, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 29, 2010

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**CITY OF TWINSBURG
SUMMIT COUNTY**

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Perry & Associates
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INDEPENDENT ACCOUNTANTS' REPORT

August 25, 2010

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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund 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 August 25, 2010, 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

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, 2009

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, 2009. 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 2009 are as follows:

- ◆ The assets of the City of Twinsburg exceeded its liabilities at the close of the most recent fiscal year by \$175,236,758. Of this amount, \$10,379,220 may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets increased by \$443,537, which represents an increase of less than one percent over 2008. The primary change that contributed to this increase was the increase in capital assets of \$1,309,704.
- ◆ Total liabilities increased by \$551,702, which represents an increase of 2.62 percent over 2008. The main factors that contributed to this increase was the increase of \$336,478 in long term liabilities.
- ◆ In total, net assets decreased by \$108,165 during 2009. This represents a less than one percent decrease from 2008.

Using this Annual Financial Report

This discussion and analysis is 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.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2009

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

- **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, and the Capital Improvement Capital Projects 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, 2009

Proprietary Funds

The City of Twinsburg maintains enterprise funds that 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 25 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 29 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, 2009

Table 1 provides a summary of the City's net assets for 2009 as compared to 2008.

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets:						
Current and other Assets	\$ 23,798,735	\$ 24,099,622	\$ 3,564,409	\$ 4,129,689	\$ 27,363,144	\$ 28,229,311
Capital assets, net	<u>124,304,382</u>	<u>123,182,486</u>	<u>45,167,336</u>	<u>44,979,528</u>	<u>169,471,718</u>	<u>168,162,014</u>
Total assets	<u>148,103,117</u>	<u>147,282,108</u>	<u>48,731,745</u>	<u>49,109,217</u>	<u>196,834,862</u>	<u>196,391,325</u>
Liabilities:						
Current and other Liabilities	2,853,536	2,686,415	384,733	336,630	3,238,269	3,023,045
Long-term liabilities:						
Due within one year	1,572,649	1,629,598	227,480	215,203	1,800,129	1,844,801
Due in more than one year	<u>14,631,785</u>	<u>14,120,165</u>	<u>1,927,921</u>	<u>2,058,391</u>	<u>16,559,706</u>	<u>16,178,556</u>
Total liabilities	<u>19,057,970</u>	<u>18,436,178</u>	<u>2,540,134</u>	<u>2,610,224</u>	<u>21,598,104</u>	<u>21,046,402</u>
Net assets:						
Invested in capital assets, net of related debt	109,752,467	109,159,210	43,361,453	43,036,498	153,113,920	152,195,708
Restricted for:						
Capital projects	7,403,195	10,072,077	-	-	7,403,195	10,072,077
Other purposes	4,340,423	4,102,586	-	-	4,340,423	4,102,586
Unrestricted	<u>7,549,062</u>	<u>5,512,057</u>	<u>2,830,158</u>	<u>3,462,495</u>	<u>10,379,220</u>	<u>8,974,552</u>
Total net assets	<u>\$ 129,045,147</u>	<u>\$ 128,845,930</u>	<u>\$ 46,191,611</u>	<u>\$ 46,498,993</u>	<u>\$ 175,236,758</u>	<u>\$ 175,344,923</u>

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2009

Total net assets of the City decreased \$108,165. The following factors were responsible for this decrease:

- A decrease in cash and cash equivalents of \$709,781.
- A decrease in taxes receivable of \$188,219.
- An increase in long term liabilities \$336,478.

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 0.66 percent in 2009. 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 2008.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2009

Table 2
Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program Revenues:						
Charges for Services	\$ 2,875,920	\$ 2,824,920	\$ 5,009,248	\$ 5,070,425	\$ 7,885,168	\$ 7,895,345
Operating Grants	47,966	51,025	-	-	47,966	51,025
Capital grants and Contributions	-	2,007,897	-	-	-	2,007,897
Total Program Revenue	2,923,886	4,883,842	5,009,248	5,070,425	7,933,134	9,954,267
General Revenues:						
Property Taxes	1,652,456	1,426,681	-	-	1,652,456	1,426,681
Income Taxes	16,912,896	18,125,788	-	-	16,912,896	18,125,788
Grants and Entitlements (Not Restricted to Specific Purposes)	2,303,380	2,233,542	-	-	2,303,380	2,233,542
Investment Earnings	390,794	622,598	2,563	28,658	393,357	651,256
Miscellaneous	247,635	66,719	-	-	247,635	66,719
Transfers	-	-	285,926	584,572	285,926	584,572
Total General Revenues	21,507,161	22,475,328	288,489	613,230	21,795,650	23,088,558
Total Revenues	24,431,047	27,359,170	5,297,737	5,683,655	29,728,784	33,042,825
Program Expenses:						
General Government	5,284,533	3,946,466	-	-	5,284,533	3,946,466
Security of Persons and Property	6,664,804	9,786,253	-	-	6,664,804	9,786,253
Transportation	7,443,016	8,220,881	-	-	7,443,016	8,220,881
Leisure Time Activities	2,272,941	1,919,690	-	-	2,272,941	1,919,690
Community Development	1,589,809	572,972	-	-	1,589,809	572,972
Basic Utility Services	40,200	13,467	-	-	40,200	13,467
Interest and Fiscal Charges	650,601	830,913	-	-	650,601	830,913
Sewer	-	-	2,999,165	3,055,895	2,999,165	3,055,895
Golf Course	-	-	1,080,833	1,123,407	1,080,833	1,123,407
Fitness Center	-	-	1,525,121	1,704,152	1,525,121	1,704,152
Transfers	285,926	584,572	-	-	285,926	584,572
Total Program Expenses	24,231,830	25,875,214	5,605,119	5,883,454	29,836,949	31,758,668
Change in Net Assets	\$ 199,217	\$ 1,483,956	\$ (307,382)	\$ (199,799)	\$ (108,165)	\$ 1,284,157

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2009

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 in 2009, the same as in the prior year. 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. In November 2009, the residents of the City approved an increase to the income tax rate, effective January 1, 2010. The increase raised the tax rate from 2 percent to 2.25 percent. During 2009, the revenues generated from income tax collections amounted to \$16,912,896. The City continues to enforce a 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 49% percent of the governmental expenses. Currently, there are 32 full-time sworn officers, 2 sworn part-time officers/jailers and a civilian support staff of 15 employees in the police department. During 2009, 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.

The fire department consists of 33 full-time and 5 part-time fire fighters. 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. 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 2009 was \$3,388,021 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 \$452,392 in revenue.

The 2010 annual road program, which is used primarily to provide maintenance and preservation of existing roadways, will cost about \$1,751,000. Improvements to sanitary, water, storm water, traffic signals, road reconstruction and sidewalks are anticipated to cost an additional \$1,264,000. This cost will come from various fund accounts and not from capital. The capital fund will receive revenue from ARRA and OPWC for some of these projects.

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 \$307,382.

Net program revenues exceeded net program expenses in the amount of \$40,207 for the sewer operations for 2009. This is due to decreased operating expenses.

Net program expenses exceeded program revenue in the amount of \$571,326 for the fitness center operations for 2009.

Net program expenses exceeded program revenues in the amount of \$64,752 for the golf course operations for 2009.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2009

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 \$26,825,166 and expenditures and other financing uses of \$27,577,257.

The net change in fund balance for the year was most significant in the General Fund showing an increase in fund balance of \$1,537,429 in 2009 which increases the beginning fund balance of \$7,256,611 to \$8,794,040. The Capital Improvement Capital Projects Fund reflected a decrease of \$2,096,082. 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.

For the General Fund, final budget basis revenue, including other financing sources was \$1,602,947 over the original budget estimates of \$19,812,594. 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 \$20,927,955 were sufficient to meet the expenditures and other financing uses for the year, which ended up at \$18,817,955.

The City's ending unobligated budgetary fund balance was \$1,816,359 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 25 through 28 of this report.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2009

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2009, the City of Twinsburg had \$169,471,718 invested in land, buildings, equipment and infrastructure.

Table 3 shows fiscal 2009 balances of Capital Assets as compared to the 2008 balances:

Table 3
 Capital Assets at December 31

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Construction in process	\$ 2,040,427	\$ 323,766	\$ 750,000	\$ -	\$ 2,790,427	\$ 323,766
Land and land improvements	25,934,053	25,857,443	2,843,237	2,843,237	28,777,290	28,700,680
Buildings	10,202,122	10,164,551	23,890,377	23,890,377	34,092,499	34,054,928
Machinery and equipment	4,848,788	4,693,572	2,619,741	2,526,519	7,468,529	7,220,091
Vehicles	5,830,771	5,575,417	673,648	657,317	6,504,419	6,232,734
Infrastructure:						
Roads	53,369,518	52,184,975	-	-	53,369,518	52,184,975
Water mains	31,427,099	31,152,085	-	-	31,427,099	31,152,085
Storm sewers and culverts	33,075,696	32,466,898	-	-	33,075,696	32,466,898
Traffic signs and signals	1,142,105	1,043,649	-	-	1,142,105	1,043,649
Street lights	1,579,689	1,576,664	-	-	1,579,689	1,576,664
Sanitary sewer lines	-	-	29,957,714	29,559,154	29,957,714	29,559,154
Less: Accumulated						
Depreciation	<u>(45,145,886)</u>	<u>(41,856,534)</u>	<u>(15,567,381)</u>	<u>(14,497,076)</u>	<u>(60,713,267)</u>	<u>(56,353,610)</u>
Total capital assets	<u>\$ 124,304,382</u>	<u>\$ 123,182,486</u>	<u>\$ 45,167,336</u>	<u>\$ 44,979,528</u>	<u>\$ 169,471,718</u>	<u>\$ 168,162,014</u>

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.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2009

Debt

At December 31, 2009, the City of Twinsburg had \$18,359,835 in outstanding debt and compensated absences, of which \$13,140,027 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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Obligation Bonds	\$ 11,390,024	\$ 12,085,024	\$ 1,750,003	\$ 1,860,003	\$ 13,140,027	\$ 13,945,027
Special Assessment Bonds	318,000	349,000	20,000	30,000	338,000	379,000
ODOT Loan Payable	1,270,109	1,525,436	-	-	1,270,109	1,525,436
Energy Equipment Loan Payable	902,008	-	-	-	902,008	-
OPWC Loan Payable	649,691	-	-	-	649,691	-
Capital Lease Payable	22,083	63,816	35,880	53,027	57,963	116,843
Compensated Absences	<u>1,652,519</u>	<u>1,726,487</u>	<u>349,518</u>	<u>330,564</u>	<u>2,002,037</u>	<u>2,057,051</u>
Total	\$ <u>16,204,434</u>	\$ <u>15,749,763</u>	\$ <u>2,155,401</u>	\$ <u>2,273,594</u>	\$ <u>18,359,835</u>	\$ <u>18,023,357</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. Energy Equipment Loan is composed of equipment purchased for energy conservation. OPWC loans are 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, 2009

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 2009, 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 July 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, 2009

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 17,129,887	\$ 2,801,136	\$ 19,931,023
Restricted cash	426,719	-	426,719
Materials and supplies inventory	219,928	39,141	259,069
Accrued interest receivable	86,512	77	86,589
Accounts receivable	147,919	711,806	859,725
Intergovernmental receivable	850,504	-	850,504
Income taxes receivable	3,635,343	-	3,635,343
Special assessments receivable	1,592	12,249	13,841
Property taxes receivable	1,300,331	-	1,300,331
Nondepreciable capital assets	24,987,130	3,431,150	28,418,280
Depreciable capital assets, net	<u>99,317,252</u>	<u>41,736,186</u>	<u>141,053,438</u>
Total assets	<u>148,103,117</u>	<u>48,731,745</u>	<u>196,834,862</u>
Liabilities:			
Accounts payable	294,326	58,698	353,024
Accrued wages and benefits	340,921	80,843	421,764
Intergovernmental payable	646,228	11,318	657,546
Matured compensated absences	131,121	-	131,121
Claims payable	156,634	44,719	201,353
Deferred revenue	1,226,603	182,094	1,408,697
Accrued interest payable	57,703	7,061	64,764
Long-term liabilities:			
Due within one year	1,572,649	227,480	1,800,129
Due in more than one year	<u>14,631,785</u>	<u>1,927,921</u>	<u>16,559,706</u>
Total liabilities	<u>19,057,970</u>	<u>2,540,134</u>	<u>21,598,104</u>
Net assets:			
Invested in capital assets, net of related debt	109,752,467	43,361,453	153,113,920
Restricted for:			
Unclaimed monies	35,841	-	35,841
Capital projects	7,403,195	-	7,403,195
Other purposes	4,304,582	-	4,304,582
Unrestricted	<u>7,549,062</u>	<u>2,830,158</u>	<u>10,379,220</u>
Total net assets	<u>\$ 129,045,147</u>	<u>\$ 46,191,611</u>	<u>\$ 175,236,758</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, 2009

	<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	\$ 5,284,533	\$ 1,193,708	\$ -	\$ -
Security of persons and property	6,664,804	575,381	47,966	-
Transportation	7,443,016	270,077	-	-
Leisure time activities	2,272,941	405,560	-	-
Community development	1,589,809	431,194	-	-
Basic utility service	40,200	-	-	-
Interest and fiscal charges	650,601	-	-	-
Total governmental activities	<u>23,945,904</u>	<u>2,875,920</u>	<u>47,966</u>	<u>-</u>
Business-type activities:				
Sewer	2,999,165	3,039,372	-	-
Golf	1,080,833	1,016,081	-	-
Fitness center	<u>1,525,121</u>	<u>953,795</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>5,605,119</u>	<u>5,009,248</u>	<u>-</u>	<u>-</u>
Total	\$ <u>29,551,023</u>	\$ <u>7,885,168</u>	\$ <u>47,966</u>	\$ <u>-</u>

General revenues:
 Property and other local taxes levied for:
 General purposes
 Debt service
 Municipal income taxes levied for:
 General purposes
 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
\$ (4,090,825)	\$ -	\$ (4,090,825)
(6,041,457)	-	(6,041,457)
(7,172,939)	-	(7,172,939)
(1,867,381)	-	(1,867,381)
(1,158,615)	-	(1,158,615)
(40,200)	-	(40,200)
(650,601)	-	(650,601)
<u>(21,022,018)</u>	<u>-</u>	<u>(21,022,018)</u>
-	40,207	40,207
-	(64,752)	(64,752)
-	<u>(571,326)</u>	<u>(571,326)</u>
-	<u>(595,871)</u>	<u>(595,871)</u>
<u>(21,022,018)</u>	<u>(595,871)</u>	<u>(21,617,889)</u>
654,575	-	654,575
997,881	-	997,881
16,912,896	-	16,912,896
2,303,380	-	2,303,380
390,794	2,563	393,357
247,635	-	247,635
<u>(285,926)</u>	<u>285,926</u>	<u>-</u>
<u>21,221,235</u>	<u>288,489</u>	<u>21,509,724</u>
199,217	(307,382)	(108,165)
<u>128,845,930</u>	<u>46,498,993</u>	<u>175,344,923</u>
\$ <u>129,045,147</u>	\$ <u>46,191,611</u>	\$ <u>175,236,758</u>

City of Twinsburg, Ohio

Balance Sheet Governmental Funds

December 31, 2009

	<u>General</u>	<u>Park Debt</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 6,717,734	\$ 164,668
Restricted cash	35,841	-
Income taxes receivable	3,635,343	-
Property taxes receivable	-	900,229
Accounts receivable	147,919	-
Accrued interest receivable	86,512	-
Special Assessment receivable	1,592	-
Intergovernmental receivable	431,441	-
Materials and supplies inventory	<u>219,928</u>	<u>-</u>
Total assets	<u>\$ 11,276,310</u>	<u>\$ 1,064,897</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 148,949	\$ -
Accrued wages	168,791	-
Claims payable	156,634	-
Intergovernmental payable	372,498	-
Matured compensated absences	131,121	-
Deferred revenue	<u>1,504,277</u>	<u>900,229</u>
Total liabilities	<u>2,482,270</u>	<u>900,229</u>
Fund balances:		
Reserved for encumbrances	53,115	-
Reserved for inventory	219,928	-
Reserved for unclaimed monies	35,841	-
Unreserved:		
Undesignated, reported in:		
General fund	8,485,156	-
Special revenue funds	-	-
Debt service funds	-	164,668
Capital project funds	<u>-</u>	<u>-</u>
Total fund balances	<u>8,794,040</u>	<u>164,668</u>
Total liabilities and fund balances	<u>\$ 11,276,310</u>	<u>\$ 1,064,897</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 7,268,147	\$ 2,979,338	\$ 17,129,887
390,878	-	426,719
-	-	3,635,343
-	400,102	1,300,331
-	-	147,919
-	-	86,512
-	-	1,592
70,162	348,901	850,504
-	-	219,928
<u>\$ 7,729,187</u>	<u>\$ 3,728,341</u>	<u>\$ 23,798,735</u>
\$ 25,568	\$ 119,809	\$ 294,326
-	172,130	340,921
-	-	156,634
-	273,730	646,228
-	-	131,121
-	<u>629,632</u>	<u>3,034,138</u>
<u>25,568</u>	<u>1,195,301</u>	<u>4,603,368</u>
2,208,166	312,841	2,574,122
-	-	219,928
-	-	35,841
-	-	8,485,156
-	2,316,244	2,316,244
-	-	164,668
<u>5,495,453</u>	<u>(96,045)</u>	<u>5,399,408</u>
<u>7,703,619</u>	<u>2,533,040</u>	<u>19,195,367</u>
<u>\$ 7,729,187</u>	<u>\$ 3,728,341</u>	<u>\$ 23,798,735</u>

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City of Twinsburg, Ohio

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

December 31, 2009

Total Governmental Fund Balances \$ 19,195,367

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 124,304,382

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

Property and other taxes	\$ 73,728
Municipal income taxes	1,189,949
Special assessments	1,592
Charges for services	74,614
Intergovernmental	<u>467,653</u>

Total 1,807,535

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (57,703)

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

General obligation bonds	(11,390,024)
Special assessment bonds	(318,000)
ODOT loan payable	(1,270,109)
Loan Payable	(902,008)
OPWC Loan Payable	(649,691)
Leases payable	(22,083)
Compensated absences	<u>(1,652,519)</u>

Total (16,204,434)

Net assets of governmental activities \$ 129,045,147

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, 2009

	<u>General</u>	<u>Park Debt</u>
Revenues:		
Property and other taxes	\$ -	\$ 997,881
Municipal income tax	16,646,073	-
Other local taxes	113,192	-
Intergovernmental	941,464	-
Charges for services	1,437,621	-
License and permits	332,374	-
Fines and forfeitures	117,711	-
Investment income	390,794	-
Reimbursements received	517,251	-
Miscellaneous income	54,349	-
Total revenues	<u>20,550,829</u>	<u>997,881</u>
Expenditures:		
Current operations and maintenance:		
Security of persons and property	6,125,683	-
Leisure time activities	2,086,631	-
Community development	1,085,479	-
Basic utility service	126,232	-
Transportation	3,556,089	-
General government	5,216,211	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	455,000
Interest and fiscal charges	-	402,111
Total expenditures	<u>18,196,325</u>	<u>857,111</u>
Excess of revenues over (under) expenditures	<u>2,354,504</u>	<u>140,770</u>
Other financing sources (uses):		
Inception of capital leases	-	-
Loan proceeds	-	-
Transfers - in	-	-
Transfers - out	(817,075)	-
Total other financing sources (uses)	<u>(817,075)</u>	<u>-</u>
Net change in fund balances	1,537,429	140,770
Fund balance beginning of year	<u>7,256,611</u>	<u>23,898</u>
Fund balance end of year	\$ <u>8,794,040</u>	\$ <u>164,668</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 Governmental Funds

For The Year Ended December 31, 2009

<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ -	\$ 526,240	\$ 1,524,121
-	-	16,646,073
-	-	113,192
609,323	835,526	2,386,313
-	113,374	1,550,995
-	223,357	555,731
-	-	117,711
-	-	390,794
-	65,844	583,095
<u>213,765</u>	<u>16,655</u>	<u>284,769</u>
<u>823,088</u>	<u>1,780,996</u>	<u>24,152,794</u>
-	1,155,078	7,280,761
-	86,258	2,172,889
-	-	1,085,479
-	40,200	166,432
-	829,911	4,386,000
-	1,433	5,217,644
4,115,304	91,166	4,206,470
-	526,327	981,327
<u>-</u>	<u>254,999</u>	<u>657,110</u>
<u>4,115,304</u>	<u>2,985,372</u>	<u>26,154,112</u>
<u>(3,292,216)</u>	<u>(1,204,376)</u>	<u>(2,001,318)</u>
34,065	-	34,065
1,551,699	-	1,551,699
-	1,086,608	1,086,608
<u>(389,630)</u>	<u>(216,440)</u>	<u>(1,423,145)</u>
<u>1,196,134</u>	<u>870,168</u>	<u>1,249,227</u>
(2,096,082)	(334,208)	(752,091)
<u>9,799,701</u>	<u>2,867,248</u>	<u>19,947,458</u>
\$ <u>7,703,619</u>	\$ <u>2,533,040</u>	\$ <u>19,195,367</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, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (752,091)

*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	\$	5,285,001	
Depreciation		<u>(3,810,422)</u>	
Total			1,474,579

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. (352,683)

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		15,142	
Municipal income taxes		266,823	
Special assessment		(21,636)	
Charges for services		52,211	
Intergovernmental		<u>(34,966)</u>	
Total			277,574

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 981,327

Loan Payable increased long-term liabilities in the statement of net assets (1,551,699)

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. (34,065)

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		73,968	
Capital leases		75,798	
Accrued interest on bonds		<u>6,509</u>	
Total			<u>156,275</u>

Change in Net Assets of Governmental Activities \$ 199,217

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

December 31, 2009

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 16,200,000	\$ 17,893,078	\$ 17,174,522	\$ (718,556)
Other local taxes	102,533	101,505	114,903	13,398
Intergovernmental	782,991	775,140	877,451	102,311
Charges for services	1,288,096	1,275,181	1,443,492	168,311
License and permits	296,593	293,619	332,374	38,755
Fines and forfeitures	101,384	100,368	113,615	13,247
Investment income	440,164	435,750	493,265	57,515
Reimbursement received	461,568	456,940	517,251	60,311
Other	138,834	81,077	52,421	(28,656)
Total revenue	<u>19,812,163</u>	<u>21,412,658</u>	<u>21,119,294</u>	<u>(293,364)</u>
Expenditures:				
Current:				
Security of property and persons	6,672,091	6,795,840	6,146,495	649,345
Leisure time activities	2,311,764	2,353,726	2,082,759	270,967
Community development	1,152,814	1,174,196	1,111,746	62,450
Basic utility services	137,122	139,665	126,232	13,433
Transportation	3,873,359	3,945,199	3,565,744	379,455
General government	<u>5,515,254</u>	<u>5,615,303</u>	<u>4,967,904</u>	<u>647,399</u>
Total expenditures	<u>19,662,404</u>	<u>20,023,929</u>	<u>18,000,880</u>	<u>2,023,049</u>
Excess of revenues over (under) expenditures	149,759	1,388,729	3,118,414	1,729,685
Other financing sources (uses):				
Transfers – in	431	2,883	2,606	(277)
Transfers – out	<u>(887,564)</u>	<u>(904,026)</u>	<u>(817,075)</u>	<u>86,951</u>
Net change in fund balance	(737,374)	487,586	2,303,945	1,816,359
Fund balance beginning of the year	4,392,802	4,392,802	4,392,802	-
Outstanding encumbrances at year end	<u>56,828</u>	<u>56,828</u>	<u>56,828</u>	<u>-</u>
Fund balance end of the year	\$ <u>3,712,256</u>	\$ <u>4,937,216</u>	\$ <u>6,753,575</u>	\$ <u>1,816,359</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, 2009

	Business-Type Activities			
	Sewer	Golf Course	Fitness Center	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 2,641,578	\$ 120,822	\$ 38,736	\$ 2,801,136
Receivables:				
Accounts receivable	711,806	-	-	711,806
Special assessments receivable	12,249	-	-	12,249
Accrued interest receivable	77	-	-	77
Materials and supplies inventory	39,141	-	-	39,141
Total current assets	<u>3,404,851</u>	<u>120,822</u>	<u>38,736</u>	<u>3,564,409</u>
Non-current assets:				
Nondepreciable capital assets	781,150	2,650,000	-	3,431,150
Depreciable capital assets, net	<u>32,198,264</u>	<u>272,410</u>	<u>9,265,512</u>	<u>41,736,186</u>
Total non-current assets	<u>32,979,414</u>	<u>2,922,410</u>	<u>9,265,512</u>	<u>45,167,336</u>
Total assets	<u>36,384,265</u>	<u>3,043,232</u>	<u>9,304,248</u>	<u>48,731,745</u>
Liabilities:				
Current liabilities:				
Accounts payable	23,844	854	34,000	58,698
Accrued wages	80,843	-	-	80,843
Intergovernmental payable	11,318	-	-	11,318
Accrued interest payable	105	6,956	-	7,061
Claims payable	36,142	3,529	5,048	44,719
Deferred revenue	-	-	182,094	182,094
Due within one year	<u>72,418</u>	<u>148,727</u>	<u>6,335</u>	<u>227,480</u>
Total current liabilities	<u>224,670</u>	<u>160,066</u>	<u>227,477</u>	<u>612,213</u>
Long-term liabilities (net of current portion):				
Special assessment bonds payable	10,000	-	-	10,000
General obligation bonds payable	-	1,635,003	-	1,635,003
Capital Lease Payable	-	17,831	-	17,831
Compensated absences	<u>213,814</u>	<u>29,774</u>	<u>21,499</u>	<u>265,087</u>
Total long-term liabilities	<u>223,814</u>	<u>1,682,608</u>	<u>21,499</u>	<u>1,927,921</u>
Total liabilities	<u>448,484</u>	<u>1,842,674</u>	<u>248,976</u>	<u>2,540,134</u>
Net assets:				
Invested in capital assets, net of related debt	32,959,414	1,136,527	9,265,512	43,361,453
Unrestricted (deficit)	<u>2,976,367</u>	<u>64,031</u>	<u>(210,240)</u>	<u>2,830,158</u>
Total net assets	<u>\$ 35,935,781</u>	<u>\$ 1,200,558</u>	<u>\$ 9,055,272</u>	<u>\$ 46,191,611</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, 2009

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Operating revenues:				
Charges for services	\$ 3,039,372	\$ 1,016,081	\$ 943,475	\$ 4,998,928
Other	-	-	10,320	10,320
Total operating revenues	<u>3,039,372</u>	<u>1,016,081</u>	<u>953,795</u>	<u>5,009,248</u>
Operating expenses:				
Personal services	1,943,227	503,643	825,277	3,272,147
Materials and supplies	209,533	185,657	44,356	439,546
Contractual services	79,440	220,892	347,922	648,254
Other operating expenses	-	51,440	-	51,440
Depreciation	<u>756,385</u>	<u>31,597</u>	<u>306,332</u>	<u>1,094,314</u>
Total operating expenses	<u>2,988,585</u>	<u>993,229</u>	<u>1,523,887</u>	<u>5,505,701</u>
Operating income (loss)	<u>50,787</u>	<u>22,852</u>	<u>(570,092)</u>	<u>(496,453)</u>
Non-operating revenue (expenses):				
Loss on capital asset disposal	(8,604)	-	(1,234)	(9,838)
Investment income	2,563	-	-	2,563
Interest and fiscal charges	<u>(1,976)</u>	<u>(87,604)</u>	<u>-</u>	<u>(89,580)</u>
Total non-operating revenues (expenses)	<u>(8,017)</u>	<u>(87,604)</u>	<u>(1,234)</u>	<u>(96,855)</u>
Income (loss) before transfers	42,770	(64,752)	(571,326)	(593,308)
Transfers-in	-	190,000	146,537	336,537
Transfers-out	<u>(50,611)</u>	<u>-</u>	<u>-</u>	<u>(50,611)</u>
Change in net assets	(7,841)	125,248	(424,789)	(307,382)
Net assets beginning of year	<u>35,943,622</u>	<u>1,075,310</u>	<u>9,480,061</u>	<u>46,498,993</u>
Net assets end of year	\$ <u>35,935,781</u>	\$ <u>1,200,558</u>	\$ <u>9,055,272</u>	\$ <u>46,191,611</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, 2009

	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	\$ 3,107,466	\$ 1,016,081	\$ 925,910	\$ 5,049,457
Cash payments for personal services	(1,881,189)	(495,256)	(817,545)	(3,193,990)
Cash payments for contractual services	(122,511)	(220,941)	(347,923)	(691,375)
Cash payments for vendors for supplies and materials	(207,508)	(185,657)	(44,356)	(437,521)
Cash received for other operating activities	-	-	13,694	13,694
Cash used for other operating activities	-	(51,440)	-	(51,440)
Net cash provided by (used in) operating activities	<u>896,258</u>	<u>62,787</u>	<u>(270,220)</u>	<u>688,825</u>
Cash flows from capital and related financing activities:				
Principal paid on debt maturities	(10,000)	(127,147)	-	(137,147)
Interest paid on debt	(2,029)	(87,980)	-	(90,009)
Payments for capital acquisitions	<u>(1,252,930)</u>	<u>-</u>	<u>(39,030)</u>	<u>(1,291,960)</u>
Net cash used in capital and related financing activities	<u>(1,264,959)</u>	<u>(215,127)</u>	<u>(39,030)</u>	<u>(1,519,116)</u>
Cash flows from noncapital financing activities:				
Transfers in	-	190,000	146,537	336,537
Transfers out	<u>(50,611)</u>	<u>-</u>	<u>-</u>	<u>(50,611)</u>
Net cash provided by (used for) noncapital financing activities	<u>(50,611)</u>	<u>190,000</u>	<u>146,537</u>	<u>285,926</u>
Cash flows from investing activities:				
Interest received	<u>3,704</u>	<u>-</u>	<u>-</u>	<u>3,704</u>
Net increase (decrease) in cash and cash equivalents	(415,608)	37,660	(162,713)	(540,661)
Cash and cash equivalents, beginning of year	<u>3,057,186</u>	<u>83,162</u>	<u>201,449</u>	<u>3,341,797</u>
Cash and cash equivalents, end of year	\$ <u><u>2,641,578</u></u>	\$ <u><u>120,822</u></u>	\$ <u><u>38,736</u></u>	\$ <u><u>2,801,136</u></u>

(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, 2009

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ <u>50,787</u>	\$ <u>22,852</u>	\$ <u>(570,092)</u>	\$ <u>(496,453)</u>
Adjustments:				
Depreciation	756,385	31,597	306,332	1,094,314
(Increase) decrease in assets:				
Accounts receivable	(13,870)	-	3,374	(10,496)
Materials and supplies inventory	2,025	-	-	2,025
Special assessments receivable	31,949	-	-	31,949
Increase (decrease) in liabilities:				
Accounts payable	6,944	(49)	(1)	6,894
Accrued wages and benefits	12,705	-	-	12,705
Claims payable	36,142	3,529	5,048	44,718
Compensated absences payable	11,412	4,858	2,684	18,954
Intergovernmental payable	1,779	-	-	1,779
Deferred revenue	-	-	(17,565)	(17,565)
Total adjustments	<u>845,471</u>	<u>39,934</u>	<u>299,872</u>	<u>1,185,277</u>
Net cash provided by (used in) operating activities:	\$ <u>896,258</u>	\$ <u>62,787</u>	\$ <u>(270,220)</u>	\$ <u>688,825</u>

City of Twinsburg, Ohio

Notes to the Basic Financial Statements

For The Year Ended December 31, 2009

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, 2009

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 2009. 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, 2009

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.

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, 2009

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, 2009

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, 2009

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, 2009, but which were levied to finance year 2009 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, 2009

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 2009. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2009.

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, 2009

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, 2009.

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, 2009

Note 2: Summary of Significant Accounting Policies (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, 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, 2009

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, and compensated absences 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, 2009

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, 2009, 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 2009.

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, 2009

Note 3: Change in Accounting Principle

For 2009, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards*.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income to disclose the methods and significant assumptions employed to determine fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accounts (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments – related party transactions, going concern considerations and subsequent events.

The implementation of GASB Statements No. 52, 55, and 56 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, 2009

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.

GAAP basis	<u>General</u> \$ 1,537,429
Increase (decrease) due to:	
Revenue accruals	571,071
Expenditure accruals	138,617
Outstanding encumbrances	<u>56,828</u>
Budget basis	\$ <u>2,303,945</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, 2009

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 \$15,963,225 and the bank balance was \$16,596,779. Of the bank balance, \$3,677,729 was covered by the Federal depository insurance, and \$12,919,299 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, 2009, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
STAROhio	\$ <u>4,394,517</u>	<u>N/A</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

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, 2009, 100 percent of the City's portfolio is invested in STAROhio.

Note 6: Receivables

Receivables at December 31, 2009 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 2008. 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, 2009

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 2009 is zero. 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, 2009, was \$1.95 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Category:	<u>Assessed Value</u>
Real estate	\$ 620,633,280
Public utility	6,986,260
Tangible personal	<u>1,407,979</u>
Total	\$ <u>629,027,519</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.

In November 2009, the voters of the City approved an increase in the income tax rate, effective January 1, 2010, from 2.0% to 2.25%.

Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 6: Receivables (continued)

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Governmental activities:

Local government and local government revenue assistance	\$	399,678
CAT tax		11,403
Estate tax		101,924
Gasoline and excise tax and state highway distributions		330,568
Permissive motor vehicle license tax		<u>6,931</u>
Total	\$	<u><u>850,504</u></u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 7: Capital Assets

Capital asset activity for government the year ended December 31, 2009, was as follows:

	Balance <u>12/31/08</u>	Additions	Disposals	Balance <u>12/31/09</u>
<i>Governmental Activities:</i>				
Capital assets not being depreciated				
Construction in progress	\$ 323,766	\$ 2,026,421	\$ (309,760)	\$ 2,040,427
Land	<u>22,946,703</u>	<u>-</u>	<u>-</u>	<u>22,946,703</u>
Total capital assets not being depreciated	<u>23,270,469</u>	<u>2,026,421</u>	<u>(309,760)</u>	<u>24,987,130</u>
Capital assets being depreciated				
Land improvements	2,910,740	76,610	-	2,987,350
Buildings	10,164,551	37,571	-	10,202,122
Machinery and equipment	4,693,572	163,215	(7,999)	4,848,788
Vehicles	5,575,417	275,333	(19,979)	5,830,771
Infrastructure:				
Roads	52,184,975	1,929,375	(744,832)	53,369,518
Water mains	31,152,085	275,014	-	31,427,099
Storm sewers and culverts	32,466,898	703,610	(94,812)	33,075,696
Traffic signs and signals	1,043,649	98,456	-	1,142,105
Streetlights	<u>1,576,664</u>	<u>9,156</u>	<u>(6,131)</u>	<u>1,579,689</u>
Total capital assets being depreciated	<u>141,768,551</u>	<u>3,568,340</u>	<u>(873,753)</u>	<u>144,463,138</u>
Less accumulated depreciation:				
Land improvements	(999,383)	(80,229)	-	(1,079,612)
Buildings	(2,893,588)	(218,354)	-	(3,111,942)
Machinery and equipment	(2,749,378)	(283,337)	2,666	(3,030,049)
Vehicles	(3,022,655)	(375,042)	14,239	(3,383,458)
Infrastructure:				
Roads	(19,245,814)	(1,861,265)	477,518	(20,629,561)
Water mains	(4,522,294)	(314,271)	-	(4,836,565)
Storm sewers and culverts	(7,139,157)	(551,196)	22,123	(7,668,230)
Traffic signs and signals	(454,907)	(63,440)	-	(518,347)
Streetlights	<u>(829,358)</u>	<u>(63,288)</u>	<u>4,524</u>	<u>(888,122)</u>
Total accumulated depreciation	<u>(41,856,534)</u>	<u>(3,810,422)</u>	<u>521,070</u>	<u>(45,145,886)</u>
Net capital assets being depreciated	<u>99,912,017</u>	<u>(242,082)</u>	<u>(352,683)</u>	<u>99,317,252</u>
Governmental activities capital assets, net	\$ <u>123,182,486</u>	\$ <u>1,784,339</u>	\$ <u>(662,443)</u>	\$ <u>124,304,382</u>

Depreciation expense was charged to governmental activities as follows:

Community development	\$ 179,121
General government	75,375
Leisure time activities	178,029
Security of persons and property	364,650
Transportation	<u>3,013,247</u>
Total depreciation expense	<u>\$ 3,810,422</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 7: Capital Assets (continued)

	Balance 12/31/08	Additions	Disposals	Balance 12/31/09
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 750,000	\$ -	\$ 750,000
Land	<u>2,681,150</u>	<u>-</u>	<u>-</u>	<u>2,681,150</u>
Total capital assets not being depreciated	<u>2,681,150</u>	<u>\$ 750,000</u>	<u>-</u>	<u>3,431,150</u>
Capital assets being depreciated:				
Land improvements	162,087	-	-	162,087
Buildings and improvements	23,890,377	-	-	23,890,377
Machinery and equipment	2,526,519	105,558	(12,336)	2,619,741
Vehicles	657,317	37,842	(21,511)	673,648
Infrastructure:				
Sewer lines	<u>29,559,154</u>	<u>398,560</u>	<u>-</u>	<u>29,957,714</u>
Total capital assets being depreciated	<u>56,795,454</u>	<u>541,960</u>	<u>(33,847)</u>	<u>57,303,567</u>
Less: accumulated depreciation	<u>(14,497,076)</u>	<u>(1,094,314)</u>	<u>24,009</u>	<u>(15,567,381)</u>
Net capital assets being depreciated	<u>42,298,378</u>	<u>(552,354)</u>	<u>(9,838)</u>	<u>41,736,186</u>
Total business-type activities capital assets, net	<u>\$ 44,979,528</u>	<u>\$ 197,646</u>	<u>\$ (9,838)</u>	<u>\$ 45,167,336</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:

	Original Issue Date	Original Interest Rate	Issue Amount
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, 2009

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, 2009 was as follows:

	<u>Balance</u> <u>12/31/08</u>	<u>Issued</u> <u>(Retired)</u>	<u>Balance</u> <u>12/31/09</u>	<u>Due in</u> <u>One Year</u>
<i>Governmental Activities:</i>				
General obligation bonds:				
Park land and conservation, due through 2021	\$ 7,880,021	\$ (455,000)	\$ 7,425,021	\$ 475,000
Senior citizens center, due through 2021	1,815,003	(110,000)	1,705,003	110,000
Darrow Road improvement, due through 2022	<u>2,390,000</u>	<u>(130,000)</u>	<u>2,260,000</u>	<u>135,000</u>
Total general obligation bonds	<u>12,085,024</u>	<u>(695,000)</u>	<u>11,390,024</u>	<u>720,000</u>
Special assessment bonds:				
Liberty/Cannon/Case/Darrow due through 2023	225,000	(15,000)	210,000	15,000
Creekside/Glenwood improvement, due through 2013	50,000	(10,000)	40,000	10,000
Darrow/Chamberlin, due through 2015	21,000	(3,000)	18,000	3,000
Chamberlin Waterline Due through 2025	<u>53,000</u>	<u>(3,000)</u>	<u>50,000</u>	<u>3,000</u>
Total special assessment bonds	<u>349,000</u>	<u>(31,000)</u>	<u>318,000</u>	<u>31,000</u>
Other long-term obligations:				
ODOT loan payable	1,525,436	(255,327)	1,270,109	261,344
Energy Equipment Loan Payable	-	902,008	902,008	-
OPWC – Edgewood Improvements	-	305,883	305,883	-
OPWC – Haverhill and Croyden	-	343,808	343,808	-
Capital lease payable	63,816	34,065	29,751	-
		(75,798)	22,083	10,740
Accrued compensated absences	1,726,487	549,564	1,176,923	-
		<u>(623,532)</u>	<u>1,652,519</u>	<u>549,565</u>
Total other long-term obligations	<u>3,315,739</u>	<u>1,180,671</u>	<u>4,496,410</u>	<u>821,649</u>
Total governmental activities	<u>\$ 15,749,763</u>	<u>\$ 454,671</u>	<u>\$ 16,204,434</u>	<u>\$ 1,572,649</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 8: Long-Term Obligations (continued)

B. Bonded Debt and Other Long-Term Obligations (continued)

Business-Type Activities:

General obligation bonds:

Golf course refunding bonds \$ 1,860,003 \$ (110,000) \$ 1,750,003 \$ 115,000

Special assessment bonds:

Cannon/Case North/Darrow

Water improvement, due through 2011 30,000 (10,000) 20,000 10,000

Other long term obligations:

Capital lease payable 53,027 (17,147) 35,880 18,049

Accrued compensated absences

330,564 97,010

(78,056) 349,518 84,431

Total other long-term obligations 383,591 1,807 385,398 102,480

Total business-type activities \$ 2,273,594 \$ (118,193) \$ 2,155,401 \$ 227,480

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2009 were as follows:

Year	General Obligation Bonds		Special Assessment Bonds		ODOT Loan		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 835,000	\$ 626,958	\$ 41,000	\$ 16,896	\$ 261,344	\$ 42,491	\$ 1,823,689
2011	865,000	592,970	41,000	14,823	269,243	34,592	1,817,628
2012	900,000	557,040	31,000	13,001	277,381	26,454	1,804,876
2013	935,000	518,423	31,000	11,306	285,765	18,070	1,799,564
2014	985,000	477,515	21,000	9,862	176,376	5,812	1,675,565
2015-2019	5,705,000	1,612,175	93,000	34,171	-	-	7,444,346
2020-2024	2,915,027	234,380	76,000	11,158	-	-	3,236,565
2025-2027	-	-	4,000	200	-	-	4,200
	\$ <u>13,140,027</u>	\$ <u>4,619,461</u>	\$ <u>338,000</u>	\$ <u>111,417</u>	\$ <u>1,270,109</u>	\$ <u>127,419</u>	\$ <u>19,606,432</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.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 8: Long-Term Obligations (continued)

B. Bonded Debt and Other Long-Term Obligations (continued)

In 2008, the City obtained a Ohio Public Works Commission (OPWC) loan for the Edgewood road improvements to be repaid in semi-annual principal payments of approximately \$7,536 beginning upon project completion. OPWC has authorized this loan up to \$452,143. The above represents the monies drawn against 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.

During 2009, the City obtained a second Ohio Public Works Commission (OPWC) loan for the Haverhill and Croyden road improvements to be repaid in semi-annual principal payments of approximately \$8,333 beginning upon project completion. OPWC has authorized this loan up to \$500,000. The above represents the monies drawn against 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.

Also during 2009, the City obtained a loan from First Merit bank for the purchase of energy efficient equipment to be repaid annually in combined principal and interest payments of approximately \$152,401 beginning July 2010 for an estimated 7 years. First Merit has authorized this loan up to \$902,008. The above represents the monies drawn against 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 lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of its future minimum lease payments as of inception date.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Assets:		
Vehicles	\$ 225,764	\$ -
Machinery and equipment	-	86,702
Less: accumulated depreciation	<u>(24,451)</u>	<u>(13,723)</u>
Total	<u>\$ 201,313</u>	<u>\$ 72,979</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 9: Capital Leases (continued)

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

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Operating Leases</u>
2010	\$ 11,982	\$ 19,879	\$ 12,000
2011	11,981	9,583	-
2012	-	9,583	-
Total minimum lease payments	23,963	39,045	12,000
Less: Amount representing interest	(1,880)	(3,165)	-
Present value of minimum lease payments	\$ <u>22,083</u>	\$ <u>35,880</u>	\$ <u>12,000</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.

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.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 11: Pension Plans (continued)

A. Ohio Public Employees Retirement System (continued)

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 2009, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2009, 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 from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009 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, 2009, 2008, and 2007 were \$594,110, \$508,598, and \$674,848, equal to the required contributions for each year. The full amount has been contributed for all 2008 and 2007. 100 percent has been contributed for 2009.

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.

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 \$483,660 and \$552,237 for the year ended December 31, 2009, \$488,736 and \$540,489 for the year ended December 31, 2008, and \$482,690 and \$504,839 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 77 percent for police and 77 percent for firefighters has been contributed for 2009 with the remainder being reported as a liability.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

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 2009, 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.

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 2009, the employer contribution allocated to the health care plan was 7.0 percent of covered payroll from January 1 through March 31, 2009 and 5.5% of covered payroll from April 1 through December 31, 2009. 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.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 12: Postemployment Benefits (continued)

A. *Ohio Public Employees Retirement System continued*

The City's contributions for health care for the years ended December 31, 2009, 2008, and 2007 were \$432,198, \$508,598, and \$390,690, respectively; 100 percent has been contributed for 2009, 2008 and 2007.

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 on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with the final rate increase on January 1, 2011. These rate increases 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, 2009

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, 2009, 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, 2009, 2008, and 2007 were \$483,660 and 552,237, \$488,736 and \$540,489, and \$482,699, and \$504,839, respectively, of which \$158,837 and \$148,985, \$152,013 and \$148,985, \$145,344 and \$173,428, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2008 and 2007. For 2009, 77 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 a monthly premium from the General Fund, Sewer Fund, Gleneagles Golf Fund, and Fitness Center Fund for each employee that varies according to which fund the employees' salary is paid. Incurred but not reported claims of \$201,353 have been accrued as a liability at December 31, 2009 based on an estimate by Medical Mutual.

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, 2009

Note 13: Risk Management (continued)

The claims liability of \$201,353 reported in the funds at December 31, 2009, was estimated by reviewing current claims and is based on the requirements of GASB No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses.

Changes in the fund's claims liability amount were:

	<u>Balance at</u> <u>Beginning of Year</u>		<u>Current Year</u> <u>Claims</u>		<u>Claim</u> <u>Payments</u>		<u>Balance at</u> <u>End of Year</u>
2009	\$ -		\$ 461,055		\$ 259,702		\$ 201,353

Note 14: Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

<u>Transfer to</u>	<u>Transfer From</u>			<u>Total</u>
	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Improvement</u>	<u>Sewer Fund</u>	
General fund	\$ -	\$ -	\$ -	\$ -
Non major governmental funds	480,538	-	-	480,538
Golf course fund	190,000	-	-	190,000
Fitness Center fund	146,537	-	-	146,537
General Bond Retirement Fund	-	606,070	-	606,070
Subtotal fund transfers	<u>817,075</u>	<u>606,070</u>	<u>-</u>	<u>\$ 1,423,145</u>
Governmental activities	-	-	50,611	
Total Transfers	<u>\$ 817,075</u>	<u>\$ 606,070</u>	<u>\$ 50,611</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. Additionally, transfers of capital assets between business-type funds and governmental activities during 2009 are reported as transfers.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

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, 2009:

Police Pension	\$ 231,170
Fire Pension	214,090

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, 2009. These deficits will be eliminated with future events.

Note 17: Termination Benefits

On September 8, 2009, City council passed Resolution 147-2009 offering a Voluntary Separation Incentive Program for all full time employees of the City. The program required employees to provide a written commitment to enter the program prior to November 6, 2009 and separate employment from the City no later than December 31, 2009. Eligible employees received a one-lump sum payment equal to 30% of the employee's first \$50,000 in annual base compensation and 5% in annual base compensation over \$50,000. At the program's end on December 31, 2009, five employees received the benefits described above totaling an expense of \$70,562 which is included in the matured compensated absences balance of the General Fund.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
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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**

August 25, 2010

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 25, 2010. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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*.

City of Twinsburg
Summit County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 25, 2010.

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.



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 18, 2010**