

# **City of Twinsburg, Ohio**

**Basic Financial Statements  
December 31, 2006**





Mary Taylor, CPA  
Auditor of State

Members of Council  
City of Twinsburg  
10075 Ravenna Road  
Twinsburg, Ohio 44087

We have reviewed the *Independent Auditors' Report* of the City of Twinsburg, Summit County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2006 through December 31, 2006. 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

July 9, 2007

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# City of Twinsburg, Ohio

For The Year Ended December 31, 2006

<b><u>Table of Contents (Continued)</u></b>	<b><u>Page</u></b>
Independent Auditors' Report.....	1
Management Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities .....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund.....	25
Statement of Fund Net Assets – Proprietary Funds.....	26
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	27
Statement of Cash Flows – Proprietary Funds.....	28
Statement of Fiduciary Net Assets – Fiduciary Funds .....	30
Notes to Basic Financial Statements .....	31
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	58

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## Independent Auditors' Report

Members of the Finance Committee  
City of Twinsburg, Ohio

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 City of Twinsburg, Ohio, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Twinsburg, Ohio'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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, Ohio, as of December 31, 2006, and the respective changes in financial position, and, where applicable, cash flows 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.

As described in Note 3, during the year ended December 31, 2006, the City of Twinsburg, Ohio implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47 "Accounting for Termination Benefits".

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2007, on our consideration of the City of Twinsburg, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the Finance Committee  
Twinsburg, Ohio

The management's discussion and analysis on pages 3 through 13, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Cioni & Paricki, Inc.*

Cleveland, Ohio  
June 26, 2007

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2006*

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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, 2006. 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 2006 are as follows:

- ◆ The assets of the City of Twinsburg exceeded its liabilities at the close of the most recent fiscal year by \$164,194,915. Of this amount, \$11,553,829 million may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets decreased by \$913,823, which represents a decrease of approximately 0.49 percent under 2005. The primary change that contributed to this decrease was the decrease in income tax receivable of \$561,098.
- ◆ Total liabilities decreased by \$392,526, which represents a decrease of 1.72 percent under 2005. The main factors contributing to this decrease was a decrease of \$784,315 in long term liabilities which is offset by an increase in accounts payable of \$377,474.
- ◆ In total, net assets decreased by \$521,297 during 2006. This represents less than a 1 percent decrease from 2005.

### **Using this Annual Financial Report**

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

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

##### *Statement of Net Assets and the Statement of Activities*

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

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2006*

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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, Capital Improvement Capital Projects fund and the Senior Center 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, 2006*

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*Proprietary Funds*

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

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

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

*Notes to the Financial Statements*

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 31 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, 2006

Table 1 provides a summary of the City's net assets for 2006 as compared to 2005.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and other Assets	\$ 26,222,377	\$ 24,453,035	\$ 3,251,933	\$ 3,026,116	\$ 29,474,310	\$ 27,479,151
Capital assets, net	<u>110,949,802</u>	<u>112,827,735</u>	<u>46,265,622</u>	<u>47,296,671</u>	<u>157,215,424</u>	<u>160,124,406</u>
Total assets	<u>137,172,179</u>	<u>137,280,770</u>	<u>49,517,555</u>	<u>50,322,787</u>	<u>186,689,734</u>	<u>187,603,557</u>
Liabilities:						
Current and other Liabilities	2,726,112	2,311,442	373,205	396,086	3,099,317	2,707,528
Long-term liabilities:						
Due within one year	1,430,139	1,413,493	194,900	129,134	1,625,039	1,542,627
Due in more than one year	<u>15,527,702</u>	<u>16,274,205</u>	<u>2,242,761</u>	<u>2,362,985</u>	<u>17,770,463</u>	<u>18,637,190</u>
Total liabilities	<u>19,683,953</u>	<u>19,999,140</u>	<u>2,810,866</u>	<u>2,888,205</u>	<u>22,494,819</u>	<u>22,887,345</u>
Net assets:						
Invested in capital assets, net of related debt	95,708,394	96,747,559	44,150,619	45,125,558	139,859,013	141,873,117
Restricted for:						
Capital projects	11,177,359	10,100,901	-	-	11,177,359	10,100,901
Debt service	594,193	419,877	-	-	594,193	419,877
Other purposes	1,010,521	1,317,030	-	-	1,010,521	1,317,030
Unrestricted	<u>8,997,759</u>	<u>8,696,263</u>	<u>2,556,070</u>	<u>2,309,024</u>	<u>11,553,829</u>	<u>11,005,287</u>
Total net assets	\$ <u>117,488,226</u>	\$ <u>117,281,630</u>	\$ <u>46,706,689</u>	\$ <u>47,434,582</u>	\$ <u>164,194,915</u>	\$ <u>164,716,212</u>

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2006*

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Total net assets of the City decreased by \$521,297. The following factors were responsible for this decrease:

- An increase in cash and cash equivalents of \$2,119,057.
- An increase in accrued interest receivable of \$251,305.
- An increase of \$137,469 in the intergovernmental receivable.
- An increase in accounts payable of \$377,474.
- A decrease in long term liabilities \$784,315.

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 and government note. 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 two years.

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 1.53 percent in 2006. 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 2005.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
For the Fiscal Year Ended December 31, 2006

Table 2  
Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program revenues:						
Charges for services	\$ 2,409,783	\$ 2,754,660	\$ 5,045,156	\$ 5,465,656	\$ 7,454,939	\$ 8,220,316
Operating grants and contributions	17,178	36,700	-	-	17,178	36,700
Capital grants and contributions	44,755	2,237,841	-	2,233,112	44,755	4,470,953
Total program revenue	<u>2,471,716</u>	<u>5,029,201</u>	<u>5,045,156</u>	<u>7,698,768</u>	<u>7,516,872</u>	<u>12,727,969</u>
General revenues:						
Property taxes	1,411,521	1,398,309	-	-	1,411,521	1,398,309
Income taxes	17,336,011	19,113,294	-	-	17,336,011	19,113,294
Grants and entitlements not restricted to specific purposes	2,874,925	1,107,775	-	-	2,874,925	1,107,775
Investment earnings	1,069,976	604,584	48,438	21,964	1,118,414	626,548
Miscellaneous	965,944	267,443	-	-	965,944	267,443
Transfers	-	-	500,000	425,000	500,000	425,000
Total general revenues	<u>23,658,377</u>	<u>22,491,405</u>	<u>548,438</u>	<u>446,964</u>	<u>24,206,815</u>	<u>22,938,369</u>
Total revenues	<u>26,130,093</u>	<u>27,520,606</u>	<u>5,593,594</u>	<u>8,145,732</u>	<u>31,723,687</u>	<u>35,666,338</u>
Program expenses:						
General government	3,081,085	2,459,741	-	-	3,081,085	2,459,741
Security of persons and property	8,808,154	8,578,043	-	-	8,808,154	8,578,043
Transportation	7,983,434	7,054,147	-	-	7,983,434	7,054,147
Leisure time activities	1,859,774	1,805,685	-	-	1,859,774	1,805,685
Community development	2,753,594	3,251,632	-	-	2,753,594	3,251,632
Basic utility services	112,834	256,902	-	-	112,834	256,902
Interest and fiscal charges	824,622	753,481	-	-	824,622	753,481
Sewer	-	-	3,438,013	4,630,754	3,438,013	4,630,754
Golf course	-	-	1,272,176	1,308,624	1,272,176	1,308,624
Fitness center	-	-	1,611,298	1,376,507	1,611,298	1,376,507
Transfers	500,000	425,000	-	-	500,000	425,000
Total program expenses	<u>25,923,497</u>	<u>24,584,631</u>	<u>6,321,487</u>	<u>7,315,885</u>	<u>32,244,984</u>	<u>31,900,516</u>
Change in net assets	\$ <u>206,596</u>	\$ <u>2,935,975</u>	\$ <u>(727,893)</u>	\$ <u>829,847</u>	\$ <u>(521,297)</u>	\$ <u>3,765,822</u>

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2006*

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*Governmental Activities*

Several revenue sources fund our governmental activities with the City income tax being the largest contributor. The City's income tax rate is two percent on gross income and has not changed since 1997. Residents of the City who work in another community and pay the withholding tax for that community receive a 100 percent tax credit on their City tax for 100 percent, the credit limit being 2 percent. During 2006, the revenues generated from this tax amounted to \$17,336,011. The decrease in income tax revenue from 2005 was 9.29 percent attributed to the transition period for the city to turn over the management and collection of the city's income taxes over to the Regional Income Tax Agency. The City continues to enforce the delinquent letter program and the subpoena program to ensure compliance with the local tax laws.

Security of Persons and Property and General Government are the major activities of the City generating percent of the governmental expenses. Currently, there are 35 full-time sworn officers in the police department. During 2006, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology. In 2007, the Twinsburg Police Academy will be established to enhance training efforts. The radio system is being updated with new antennas and repeater; project completion will be in 2007. The court-sanctioned self-supporting juvenile diversion program which was put in effect in 1998 proved to be a success. The City also received \$22,583 for the Dare Grant and \$5,000 for the e-ticket program in cooperation with Cuyahoga Falls Municipal Court.

The fire department consists of 34 full-time and 27 part-time fire fighters. All but one of these fire fighters is fully trained paramedics. Again, training plays a crucial role in the day-to-day operation of the fire department. Techniques such as driving rodeos, live practice burn-downs, continuing education classes, practice drills and watching training videos help keep the men and women updated to perform their jobs most efficiently. The department handled 2,160 calls for assistance of which approximately 1,630 were for EMS and 530 for fire and fire related incidents. This constituted a decrease of 6 percent over 2005. The total cost of operating the Fire and EMS department during 2006 was \$3,740,975 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 \$389,536 in revenue. The fire department received a grant for \$121,185 for portable radios and \$2,500 for training. The construction of a second fire station will be completed in June 2007. Also in 2007, the safety forces have a joint venture with Tri-C for a training facility. The building is owned by the City of Twinsburg and the police and fire departments will be making the renovations.

The City's annual road program entailing major and minor resurfacing of the various streets in Twinsburg totaled \$1,933,816. The construction of an interconnect road between Ravenna Road and Darrow Road-Rt.91 is scheduled for completion summer of 2007. The estimated cost of this project is \$6,000,000. The City entered into an agreement with the Ohio Department of Transportation for a State Infrastructure Bank Loan Agreement in the amount of \$3,510,000. In addition, the City has applied for a Federal House Bill earmarked project in the amount of \$1,400,000 from the office of Congressman Steven C. LaTourette.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2006*

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*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 \$727,893.

Net program expenses exceeded net program revenues in the amount of \$473,974 for the sewer operations for 2006. This is due to increased operating expenses.

Net program expenses exceeded program revenue in the amount of \$684,765 for the fitness center operations for 2006. Although memberships increased 5% over 2005, this is due to increased operating expenses. The City is planning on analyzing the operations of the fitness center to determine where it can be more efficient.

Net program expenses exceeded program revenues in the amount of \$117,592 for the golf course operations for 2006.

**The City's Funds**

*Governmental Funds*

Information about the City's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$28,496,493 and expenditures and other financing uses of \$26,931,261.

The net change in fund balance for the year was most significant in the Capital Improvement Capital Projects Fund showing an increase in fund balance of \$1,184,336 due to the fact the major capital projects were completed in 2005, and conserved capital improvements in 2006. The General Fund reflected an increase of \$170,663, which increases the beginning fund balance of \$8,143,365 to 8,314,028. 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 was \$1,819,878 over the original budget estimates of \$16,862,860. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenue areas. The final appropriations of \$21,167,158 were sufficient to meet the expenditures for the year, which ended up at \$19,653,880.

The City's ending unobligated budgetary fund balance was \$2,481,462 higher than the final budgeted amount.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
For the Fiscal Year Ended December 31, 2006

*Business-Type Funds*

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

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

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2006, the City of Twinsburg had \$157,215,424 invested in land, buildings, equipment and infrastructure.

Table 3 shows fiscal 2006 balances of Capital Assets as compared to the restated 2005 balances:

Table 3  
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Construction in process	\$ 2,816,936	\$ 2,487,699	\$ -	\$ -	\$ 2,816,936	\$ 2,487,699
Land and land improvements	26,048,546	25,659,949	2,818,322	2,818,322	28,866,868	28,478,271
Buildings	8,588,719	8,535,994	23,848,024	23,848,023	32,436,743	32,384,017
Machinery and equipment	4,326,444	4,265,203	2,310,773	2,238,209	6,637,217	6,503,412
Vehicles	5,461,297	5,203,046	659,047	659,047	6,120,344	5,862,093
Infrastructure:						
Roads	43,203,552	42,263,020	-	-	43,203,552	42,263,020
Water mains	29,838,590	29,838,590	-	-	29,838,590	29,838,590
Storm sewers and culverts	30,987,581	30,987,581	-	-	30,987,581	30,987,581
Traffic signs and signals	660,963	660,963	-	-	660,963	660,963
Street lights	1,532,002	1,516,106	-	-	1,532,002	1,516,106
Sanitary sewer lines	-	-	29,172,711	29,172,711	29,172,711	29,172,711
Less: accumulated depreciation	<u>(42,514,828)</u>	<u>(38,590,416)</u>	<u>(12,543,255)</u>	<u>(11,439,641)</u>	<u>(55,058,083)</u>	<u>(50,030,057)</u>
Total capital assets	<u>\$110,949,802</u>	<u>\$ 112,827,735</u>	<u>\$ 46,265,622</u>	<u>\$ 47,296,671</u>	<u>\$ 157,215,424</u>	<u>\$ 160,124,406</u>

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2006*

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. Police cars are replaced every 12 months. The older vehicles are either traded in to the dealers or sold to the highest bidder at auction. In 2006, the City purchased software from Cartegraph for the purpose of tracking fleet maintenance costs on vehicles. The information provided will be used in the replacement of vehicles. Vehicles no longer in service are either traded in or sold at an auction or on-line. In Fiscal 2007, the City entered into a three year lease with \$1.00 buyout for nine 2007 Dodge Chargers and a lease of a 2007 Harley Davidson motorcycle for the police department.

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.

**Debt**

At December 31, 2006, the City of Twinsburg had \$19,395,502 in outstanding debt and compensated absences, of which \$15,175,006 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>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Obligation Bonds	\$ 13,110,003	\$ 13,716,113	\$ 2,065,003	\$ 2,111,113	\$ 15,175,006	\$ 15,827,226
Special Assessment Bonds	411,000	442,000	50,000	60,000	461,000	502,000
ODOT loan payable	1,720,405	1,922,057	-	-	1,720,405	1,922,057
Compensated Absences	<u>1,716,433</u>	<u>1,607,528</u>	<u>322,658</u>	<u>321,006</u>	<u>2,039,091</u>	<u>1,928,534</u>
Total	\$ <u>16,957,841</u>	\$ <u>17,687,698</u>	\$ <u>2,437,661</u>	\$ <u>2,492,119</u>	\$ <u>19,395,502</u>	\$ <u>20,179,817</u>

At December 31, 2006, the City's overall legal debt margin was \$56,650,638. At year-end, the outstanding general obligation debt was \$15,175,006 and the outstanding Special Assessment bonds were \$461,000. Compensated absences include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in the notes to the basic financial statements.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2006*

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**Current Related Financial Activities**

The City of Twinsburg is strong financially. In addition, the City of Twinsburg's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City of Twinsburg with full disclosure of the financial position of the City.

The Administration and City Council developed a master plan for the acquisition or equipment, parkland development, building or upgrading of City facilities. As a result, we have seen a remarkable increase in our capital assets over that period of time and the expansion of all City services.

On behalf of the City of Twinsburg, we personally thank Ciuni & Panichi, Inc., for their involvement and support in putting together the basic financial statements. Ciuni & Panichi, Inc. has committed themselves toward leading the way and providing necessary guidance to enable us to reach a level of excellence.

Over the last year the City's economy has remained relatively stable even while other communities have experienced significant employment losses. While the City still struggles to recover from the loss of Cole National, new development promises to largely mitigate the loss of income tax from Cole. Expansion at the Pepsi-America site on Enterprise, VERTEX Inc. job growth, and continued job growth at Edgepark Surgical, helped offset income tax losses during 2006. The recent loss of 100 jobs from PartsSource, which relocated this month for a larger facility in Aurora, will slow progress in this recovery. However, projects currently under construction are anticipated to add at least an additional 83 jobs when they are completed in 2007. Future projects like the Cleveland Clinic facility should add several hundred jobs and will encourage ancillary growth by companies desiring to be located in their proximity. We have already experienced inquiries about available medical office space due to the Cleveland Clinic's announcement.

The Building Division of the Dept. of Community Planning and Development contributes various non-tax revenues to the City's general fund. These revenues come from permits and fees charged for new construction, contractor registration, and other land development activities. Through the first half of 2006 total fees collected for all permits was \$28,300. At the end of the first quarter of 2007 total fees collected had already exceeded that amount and were just over \$44,800. These increased receipts are reflective of increased activity in building and local investment. Projects like University Hospitals Medical Office Building on Commons Boulevard, Michele Occhionero's Starbucks center, and the Livingston Family's Beef O'Brady's retail center at Creekside Drive have contributed to permit fee revenues. Upon completion their new employment will generate new income tax revenues.

**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, Jo Anne Terry, City of Twinsburg, 10075 Ravenna Road, Twinsburg, Ohio 44087, telephone (330) 425-7161, or web site at [my.twinsburg.com](http://my.twinsburg.com).

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# City of Twinsburg, Ohio

## Statement of Net Assets

**December 31, 2006**

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 20,185,544	\$ 2,484,489	\$ 22,670,033
Materials and supplies inventory	179,002	27,875	206,877
Accrued interest receivable	385,325	4,278	389,603
Accounts receivable	119,256	632,104	751,360
Intergovernmental receivable	851,233	-	851,233
Income taxes receivable	4,502,017	-	4,502,017
Special assessments receivable	-	103,187	103,187
Nondepreciable capital assets	26,021,139	2,681,150	28,702,289
Depreciable capital assets, net	<u>84,928,663</u>	<u>43,584,472</u>	<u>128,513,135</u>
Total assets	<u>137,172,179</u>	<u>49,517,555</u>	<u>186,689,734</u>
<b>Liabilities:</b>			
Accounts payable	798,769	87,082	885,851
Accrued wages and benefits	171,624	42,545	214,169
Intergovernmental payable	616,437	5,829	622,266
Deferred revenue	1,063,319	229,605	1,292,924
Accrued interest payable	75,963	8,144	84,107
<b>Long-term liabilities:</b>			
Due within one year	1,430,139	194,900	1,625,039
Due in more than one year	<u>15,527,702</u>	<u>2,242,761</u>	<u>17,770,463</u>
Total liabilities	<u>19,683,953</u>	<u>2,810,866</u>	<u>22,494,819</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	95,708,394	44,150,619	139,859,013
<b>Restricted for:</b>			
Capital projects	11,177,359	-	11,177,359
Debt service	594,193	-	594,193
Other purposes	1,010,521	-	1,010,521
Unrestricted	<u>8,997,759</u>	<u>2,556,070</u>	<u>11,553,829</u>
Total net assets	<u>\$ 117,488,226</u>	<u>\$ 46,706,689</u>	<u>\$ 164,194,915</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, 2006

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 3,081,085	\$ 494,622	\$ -	\$ -
Security of persons and property	8,808,154	559,910	17,178	-
Transportation	7,983,434	287,776	-	15,896
Leisure time activities	1,859,774	366,271	-	-
Community development	2,753,594	701,204	-	28,859
Basic utility service	112,834	-	-	-
Interest and fiscal charges	824,622	-	-	-
Total governmental activities	<u>25,423,497</u>	<u>2,409,783</u>	<u>17,178</u>	<u>44,755</u>
Business-type activities:				
Sewer	3,438,013	2,964,039	-	-
Golf	1,272,176	1,154,584	-	-
Fitness center	<u>1,611,298</u>	<u>926,533</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>6,321,487</u>	<u>5,045,156</u>	<u>-</u>	<u>-</u>
Total	\$ <u>31,744,984</u>	\$ <u>7,454,939</u>	\$ <u>17,178</u>	\$ <u>44,755</u>

#### General revenues:

Property and other local taxes levied for:

  General purposes

  Debt service

Municipal income taxes levied for:

  General purposes

  Capital outlay

Grants and entitlements not restricted to specific programs

Investment income

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning of year, restated

Net assets end of year

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,586,463)	\$ -	\$ (2,586,463)
(8,231,066)	-	(8,231,066)
(7,679,762)	-	(7,679,762)
(1,493,503)	-	(1,493,503)
(2,023,531)	-	(2,023,531)
(112,834)	-	(112,834)
(824,622)	-	(824,622)
<u>(22,951,781)</u>	<u>-</u>	<u>(22,951,781)</u>
-	(473,974)	(473,974)
-	(117,592)	(117,592)
-	(684,765)	(684,765)
<u>-</u>	<u>(1,276,331)</u>	<u>(1,276,331)</u>
<u>(22,951,781)</u>	<u>(1,276,331)</u>	<u>(24,228,112)</u>
528,785	-	528,785
882,736	-	882,736
13,825,389	-	13,825,389
3,510,622	-	3,510,622
2,874,925	-	2,874,925
1,069,976	48,438	1,118,414
965,944	-	965,944
<u>(500,000)</u>	<u>500,000</u>	<u>-</u>
<u>23,158,377</u>	<u>548,438</u>	<u>23,706,815</u>
206,596	(727,893)	(521,297)
<u>117,281,630</u>	<u>47,434,582</u>	<u>164,716,212</u>
\$ <u>117,488,226</u>	\$ <u>46,706,689</u>	\$ <u>164,194,915</u>

# City of Twinsburg, Ohio

## Balance Sheet Governmental Funds

**December 31, 2006**

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	<u>General</u>	<u>Park Debt</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 6,398,467	\$ 254,585
Income taxes receivable	2,690,293	697,479
Accounts receivable	115,503	-
Accrued interest receivable	385,325	-
Intergovernmental receivable	517,243	-
Materials and supplies inventory	<u>179,002</u>	<u>-</u>
Total assets	<u>\$ 10,285,833</u>	<u>\$ 952,064</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 271,688	\$ -
Accrued wages	171,624	-
Intergovernmental payable	378,956	-
Deferred revenue	<u>1,149,537</u>	<u>697,479</u>
Total liabilities	<u>1,971,805</u>	<u>697,479</u>
Fund balances:		
Reserve for encumbrances	152,889	-
Reserve for inventory	179,002	-
Unreserved:		
Undesignated, reported in:		
General fund	7,982,137	-
Special revenue funds	-	-
Debt service funds	-	254,585
Capital project funds	<u>-</u>	<u>-</u>
Total fund balances	<u>8,314,028</u>	<u>254,585</u>
Total liabilities and fund balances	<u>\$ 10,285,833</u>	<u>\$ 952,064</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Improvement</u>	<u>Senior Center</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 10,879,427	\$ 216,440	\$ 2,436,625	\$ 20,185,544
672,573	-	441,672	4,502,017
-	-	3,753	119,256
-	-	-	385,325
-	-	333,990	851,233
-	-	-	179,002
<u>\$ 11,552,000</u>	<u>\$ 216,440</u>	<u>\$ 3,216,040</u>	<u>\$ 26,222,377</u>
\$ 527,081	\$ -	\$ -	\$ 798,769
-	-	-	171,624
-	-	237,481	616,437
<u>209,195</u>	<u>-</u>	<u>661,015</u>	<u>2,717,226</u>
<u>736,276</u>	<u>-</u>	<u>898,496</u>	<u>4,304,056</u>
4,086,033	-	158,429	4,397,351
-	-	-	179,002
-	-	-	7,982,137
-	-	1,810,971	1,810,971
-	-	126,281	380,866
<u>6,729,691</u>	<u>216,440</u>	<u>221,863</u>	<u>7,167,994</u>
<u>10,815,724</u>	<u>216,440</u>	<u>2,317,544</u>	<u>21,918,321</u>
<u>\$ 11,552,000</u>	<u>\$ 216,440</u>	<u>\$ 3,216,040</u>	<u>\$ 26,222,377</u>

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# City of Twinsburg, Ohio

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

**December 31, 2006**

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Total Governmental Fund Balances \$ 21,918,321

*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 110,949,802

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

Property and other taxes	\$ 75,833
Municipal income taxes	1,045,975
Intergovernmental	<u>532,099</u>

Total 1,653,907

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (75,963)

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

General obligation bonds	(13,110,003)
Special assessment bonds	(411,000)
ODOT loan payable	(1,720,405)
Compensated absences	<u>(1,716,433)</u>

Total (16,957,841)

Net assets of governmental activities \$ 117,488,226

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, 2006

	<u>General</u>	<u>Park Debt</u>
Revenues:		
Property and other taxes	\$ 1,523	\$ 882,736
Municipal income tax	14,042,489	-
Other local taxes	117,001	-
Intergovernmental	2,100,693	-
Charges for services	957,695	-
License and permits	529,631	-
Fines and forfeitures	128,047	-
Investment income	1,069,976	-
Reimbursements received	403,044	-
Miscellaneous income	383,394	-
Total revenues	<u>19,733,493</u>	<u>882,736</u>
Expenditures:		
Current operations and maintenance:		
Security of persons and property	7,569,546	-
Public health	-	-
Leisure time activities	1,671,427	-
Community development	1,589,740	-
Basic utility service	-	-
Transportation	3,619,187	-
General government	3,157,930	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	440,000
Interest and fiscal charges	-	411,154
Total expenditures	<u>17,607,830</u>	<u>851,154</u>
Excess of revenues over (under) expenditures	<u>2,125,663</u>	<u>31,582</u>
Other financing sources (uses):		
Transfers - in	-	-
Transfers - out	(1,955,000)	-
Total other financing sources (uses)	<u>(1,955,000)</u>	<u>-</u>
Net change in fund balances	170,663	31,582
Fund balance beginning of year	<u>8,143,365</u>	<u>223,003</u>
Fund balance end of year	\$ <u>8,314,028</u>	\$ <u>254,585</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Improvement</u>	<u>Senior Center</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ -	\$ -	\$ 461,028	\$ 1,345,287
3,510,622	-	-	17,553,111
-	-	-	117,001
28,859	-	757,993	2,887,545
-	-	74,696	1,032,391
-	-	242,709	772,340
-	-	1,510	129,557
-	-	-	1,069,976
-	-	493,386	896,430
<u>51,166</u>	<u>-</u>	<u>66,232</u>	<u>500,792</u>
<u>3,590,647</u>	<u>-</u>	<u>2,097,554</u>	<u>26,304,430</u>
-	-	971,482	8,541,028
-	-	-	-
-	-	46,907	1,718,334
-	-	2,702	1,592,442
-	-	112,834	112,834
-	-	1,185,138	4,804,325
107,180	-	-	3,265,110
2,562,068	-	-	2,562,068
-	-	398,762	838,762
<u>-</u>	<u>-</u>	<u>393,141</u>	<u>804,295</u>
<u>2,669,248</u>	<u>-</u>	<u>3,110,966</u>	<u>24,239,198</u>
<u>921,399</u>	<u>-</u>	<u>(1,013,412)</u>	<u>2,065,232</u>
1,000,000	-	1,192,063	2,192,063
<u>(737,063)</u>	<u>-</u>	<u>-</u>	<u>(2,692,063)</u>
<u>262,937</u>	<u>-</u>	<u>1,192,063</u>	<u>(500,000)</u>
1,184,336	-	178,651	1,565,232
<u>9,631,388</u>	<u>216,440</u>	<u>2,138,893</u>	<u>20,353,089</u>
\$ <u>10,815,724</u>	\$ <u>216,440</u>	\$ <u>2,317,544</u>	\$ <u>21,918,321</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, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 1,565,232

*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	\$	2,065,329	
Depreciation		<u>(3,933,209)</u>	
 Total			 (1,867,880)

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. (10,053)

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		(50,767)	
Municipal income taxes		(217,100)	
Intergovernmental		<u>77,634</u>	
 Total			 (190,233)

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 838,762

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		(108,905)	
Accrued interest on bonds		<u>(20,327)</u>	
 Total			 <u>(129,232)</u>

*Change in Net Assets of Governmental Activities* \$ 206,596

The accompanying notes are an integral part of these financial statements

# City of Twinsburg, Ohio

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

### General Fund

### For The Year Ended December 31, 2006

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 869	\$ 1,213	\$ 1,523	\$ 310
Municipal income taxes	13,600,000	14,219,878	14,216,319	(3,559)
Other local taxes	804,654	1,123,028	1,409,510	286,482
Intergovernmental	425,908	594,426	746,063	151,637
Charges for services	557,872	778,603	977,223	198,620
License and permits	302,353	421,984	529,631	107,647
Fines and forfeitures	72,889	101,729	127,680	25,951
Investment income	498,466	695,692	873,162	177,470
Reimbursement received	220,596	307,878	386,417	78,539
Other	379,253	438,307	383,394	(54,913)
Total revenue	<u>16,862,860</u>	<u>18,682,738</u>	<u>19,650,922</u>	<u>968,184</u>
Expenditures:				
Current:				
Security of property and persons	7,256,677	8,109,572	7,588,371	521,201
Public health	220,187	246,094	230,496	15,598
Leisure time activities	1,689,914	1,883,812	1,725,140	138,672
Community development	1,732,373	1,928,181	1,742,135	186,046
Transportation	3,456,598	3,863,292	3,618,428	244,864
General government	2,743,842	3,048,909	2,794,310	254,599
Total expenditures	<u>17,099,591</u>	<u>19,079,860</u>	<u>17,698,880</u>	<u>1,380,980</u>
Excess of revenues over (under) expenditures	(236,731)	(397,122)	1,952,042	2,349,164
Other financing sources (uses):				
Transfers – out	<u>(1,867,565)</u>	<u>(2,087,298)</u>	<u>(1,955,000)</u>	<u>132,298</u>
Net change in fund balance	(2,104,296)	(2,484,420)	(2,958)	2,481,462
Fund balance beginning of the year	6,221,766	6,221,766	6,221,766	-
Outstanding encumbrances at year end	<u>179,659</u>	<u>179,659</u>	<u>179,659</u>	<u>-</u>
Fund balance end of the year	\$ <u>4,297,129</u>	\$ <u>3,917,005</u>	\$ <u>6,398,467</u>	\$ <u>2,481,462</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, 2006**

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
<b>Assets:</b>				
<b>Current assets:</b>				
Equity in pooled cash and cash equivalents	\$ 2,146,251	\$ 167,437	\$ 170,801	\$ 2,484,489
<b>Receivables:</b>				
Accounts receivable	623,771	-	8,333	632,104
Special assessments receivable	103,187	-	-	103,187
Accrued interest receivable	4,278	-	-	4,278
Materials and supplies inventory	<u>27,875</u>	<u>-</u>	<u>-</u>	<u>27,875</u>
Total current assets	<u>2,905,362</u>	<u>167,437</u>	<u>179,134</u>	<u>3,251,933</u>
<b>Non-current assets:</b>				
Nondepreciable capital assets	31,150	2,650,000	-	2,681,150
Depreciable capital assets, net	<u>33,298,325</u>	<u>249,056</u>	<u>10,037,091</u>	<u>43,584,472</u>
Total non-current assets	<u>33,329,475</u>	<u>2,899,056</u>	<u>10,037,091</u>	<u>46,265,622</u>
<b>Total assets</b>	<u>36,234,837</u>	<u>3,066,493</u>	<u>10,216,225</u>	<u>49,517,555</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	29,010	3,845	54,227	87,082
Accrued wages	42,545	-	-	42,545
Intergovernmental payable	5,829	-	-	5,829
Accrued interest payable	259	7,885	-	8,144
Deferred revenue	-	-	229,605	229,605
Due within one year	<u>77,664</u>	<u>109,692</u>	<u>7,544</u>	<u>194,900</u>
Total current liabilities	<u>155,307</u>	<u>121,422</u>	<u>291,376</u>	<u>568,105</u>
<b>Long-term liabilities (net of current portion):</b>				
Special assessment bonds payable	40,000	-	-	40,000
General obligation bonds payable	-	1,965,003	-	1,965,003
Compensated absences	<u>192,430</u>	<u>23,912</u>	<u>21,416</u>	<u>237,758</u>
Total long-term liabilities	<u>232,430</u>	<u>1,988,915</u>	<u>21,416</u>	<u>2,242,761</u>
<b>Total liabilities</b>	<u>387,737</u>	<u>2,110,337</u>	<u>312,792</u>	<u>2,810,866</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	33,279,475	834,053	10,037,091	44,150,619
Unrestricted (deficit)	<u>2,567,625</u>	<u>122,103</u>	<u>(133,658)</u>	<u>2,556,070</u>
Total net assets	\$ <u>35,847,100</u>	\$ <u>956,156</u>	\$ <u>9,903,433</u>	\$ <u>46,706,689</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, 2006

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Operating revenues:				
Charges for services	\$ 2,779,627	\$ 1,154,141	\$ 886,927	\$ 4,820,695
Other	-	-	9,633	9,633
Total operating revenues	<u>2,779,627</u>	<u>1,154,141</u>	<u>896,560</u>	<u>4,830,328</u>
Operating expenses:				
Personal services	1,635,987	536,698	883,427	3,056,112
Materials and supplies	217,084	201,655	78,637	497,376
Contractual services	828,965	288,389	349,757	1,467,111
Other operating expenses	-	48,073	-	48,073
Depreciation	<u>752,167</u>	<u>51,970</u>	<u>299,477</u>	<u>1,103,614</u>
Total operating expenses	<u>3,434,203</u>	<u>1,126,785</u>	<u>1,611,298</u>	<u>6,172,286</u>
Operating income (loss)	<u>(654,576)</u>	<u>27,356</u>	<u>(714,738)</u>	<u>(1,341,958)</u>
Non-operating revenue (expenses):				
Investment income	48,438	-	-	48,438
Interest and fiscal charges	(3,810)	(145,391)	-	(149,201)
Special assessments	1,325	-	-	1,325
Reimbursements received	<u>183,087</u>	<u>443</u>	<u>29,973</u>	<u>213,503</u>
Total non-operating revenues (expenses)	<u>229,040</u>	<u>(144,948)</u>	<u>29,973</u>	<u>114,065</u>
Loss before transfers	(425,536)	(117,592)	(684,765)	(1,227,893)
Transfers-in	<u>-</u>	<u>150,000</u>	<u>350,000</u>	<u>500,000</u>
Change in net assets	(425,536)	32,408	(334,765)	(727,893)
Net assets beginning of year, restated	<u>36,272,636</u>	<u>923,748</u>	<u>10,238,198</u>	<u>47,434,582</u>
Net assets end of year	\$ <u>35,847,100</u>	\$ <u>956,156</u>	\$ <u>9,903,433</u>	\$ <u>46,706,689</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, 2006**

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Increase (decrease) in cash and cash equivalents:				
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 2,777,957	\$ 1,154,141	\$ 917,504	\$ 4,849,602
Cash payments for personal services	(1,627,736)	(542,059)	(878,852)	(3,048,647)
Cash payments for contractual services	(846,046)	(293,253)	(299,045)	(1,438,344)
Cash payments for vendors for supplies and materials	(232,903)	(252,706)	(81,457)	(567,066)
Cash received for other operating activities	-	-	1,300	1,300
Net cash provided by (used in) operating activities	<u>71,272</u>	<u>66,123</u>	<u>(340,550)</u>	<u>(203,155)</u>
<b>Cash flows from capital and related financing activities:</b>				
Principal paid on debt maturities	(41,000)	(46,110)	-	(87,110)
Interest paid on debt	(27,702)	(149,820)	-	(177,522)
Payments for capital acquisitions	(29,480)	(23,563)	(19,522)	(72,565)
Net cash used in capital and related financing activities	<u>(98,182)</u>	<u>(219,493)</u>	<u>(19,522)</u>	<u>(337,197)</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	-	150,000	350,000	500,000
Special assessments	56,822	-	-	56,822
Reimbursements received	<u>129,647</u>	<u>443</u>	<u>29,973</u>	<u>160,063</u>
Net cash provided by noncapital financing activities	<u>186,469</u>	<u>150,443</u>	<u>379,973</u>	<u>716,885</u>
<b>Cash flows from investing activities:</b>				
Interest received	<u>47,563</u>	<u>-</u>	<u>-</u>	<u>47,563</u>
Net increase (decrease) in cash and cash equivalents	207,122	(2,927)	19,901	224,096
Cash and cash equivalents, beginning of year	<u>1,939,129</u>	<u>170,364</u>	<u>150,900</u>	<u>2,260,393</u>
Cash and cash equivalents, end of year	\$ <u><u>2,146,251</u></u>	\$ <u><u>167,437</u></u>	\$ <u><u>170,801</u></u>	\$ <u><u>2,484,489</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, 2006**

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ <u>(654,576)</u>	\$ <u>27,356</u>	\$ <u>(714,738)</u>	\$ <u>(1,341,958)</u>
Adjustments:				
Depreciation	752,167	51,970	299,477	1,103,614
(Increase) decrease in assets:				
Accounts receivable	(1,670)	-	7,725	6,055
Materials and supplies inventory	(7,558)	-	-	(7,558)
Increase (decrease) in liabilities:				
Accounts payable	(25,394)	(7,882)	47,867	14,591
Accrued wages and benefits	5,166	(794)	2,294	6,666
Compensated absences payable	2,373	(4,527)	2,306	152
Intergovernmental payable	764	-	-	764
Deferred revenue	-	-	14,519	14,519
Total adjustments:	<u>725,848</u>	<u>38,767</u>	<u>374,188</u>	<u>1,138,803</u>
Net cash provided by (used in) operating activities:	\$ <u><u>71,272</u></u>	\$ <u><u>66,123</u></u>	\$ <u><u>(340,550)</u></u>	\$ <u><u>(203,155)</u></u>

The accompanying notes are an integral part of these financial statements

**City of Twinsburg, Ohio**

Statement of Fiduciary Net Assets  
Fiduciary Funds

**For The Year Ended December 31, 2006**

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	<u>Agency</u>
<u>Assets:</u>	
Cash and cash equivalents	\$ <u>24,324</u>
Total Assets	\$ <u><u>24,324</u></u>
<u>Liabilities:</u>	
Deposits held and due to others	\$ <u>24,324</u>
Total liabilities	\$ <u><u>24,324</u></u>

The accompanying notes are an integral part of these financial statements

# City of Twinsburg, Ohio

## Notes to the Basic Financial Statements

### **For The Year Ended December 31, 2006**

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#### **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, 2006**

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### **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 2006. 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, 2006**

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### **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.

*Senior Center Fund* - The senior center fund accounts for expenditures to support the senior center.

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, 2006**

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### **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's agency funds accounts for unclaimed funds resulting from stop payments and stale dated checks.

#### ***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, 2006**

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### **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, 2006**

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### **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, 2006, but which were levied to finance year 2006 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, 2006**

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### **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 2006. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2006.

#### *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, 2006**

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### **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, 2006.

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 cost of inventory items is recorded as expenditures in the governmental fund types and expenses in the proprietary fund types when used.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2006**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2006, 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, 2006**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***K. Compensated Absences***

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

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

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

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

#### ***L. Accrued Liabilities and Long-Term Obligations***

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

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

#### ***M. Fund Balance Reserves***

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

#### ***N. Comparative Data/Reclassifications***

Comparative data for the prior year are presented in order to provide an understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2005 financial statements in order to conform to the 2006 presentation.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2006**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***O. 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, 2006, the City of Twinsburg had no assets restricted by enabling legislation in the statements of net assets.

#### ***P. 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.

#### ***Q. 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.

#### ***R. 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 2006.

#### ***S. 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, 2006**

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### **Note 3: Change in Accounting Principle**

For fiscal year 2006, the City has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation," and GASB Statement No. 47, "Accounting for Termination Benefits."

GASB Statement No. 46 clarifies when net assets should be restricted based on enabling legislation.

GASB Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to all termination benefits without limitation as to the period of time during which the benefits are offered.

Implementation of GASB Statement No. 46 and No. 47 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 Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – All Governmental Fund Types and the Statement of Revenues, Expenses, and Changes in Fund Balance – Budget and Actual – All Proprietary Fund Types 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) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental Funds, and note disclosure for Proprietary Funds (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

<u>Net Change in Fund Balance</u>	<u>General</u>
GAAP basis	\$ 170,663
Increase (decrease) due to:	
Revenue accruals	(82,571)
Expenditure accruals	(270,709)
Outstanding encumbrances	<u>179,659</u>
Budget basis	\$ <u>(2,958)</u>

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2006**

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### **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;
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.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2006

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### **Note 5: Deposits and Investments (Continued)**

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 \$14,712,775 and the bank balance was \$14,957,007. Of the bank balance, \$500,000 was covered by the Federal depository insurance, and \$14,457,007 was uninsured. Of the remaining bank balance, \$13,773,856 was collateralized with securities held by the pledging institution's agent in the City's name and \$683,151 was 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, 2006, the city had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Federal Home Loan Mortgage Corporation	\$ 5,012,509	3,591
Federal National Mortgage Association	2,018,422	1,440
STAROhio	<u>950,651</u>	<u>N/A</u>
Total Portfolio	\$ <u><u>7,981,582</u></u>	<u><u>5,031</u></u>

***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 five years.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2006**

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### **Note 5: Deposits and Investments (continued)**

#### *Investments (continued)*

**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. The following is the City's allocation as of December 31, 2006:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
STAROhio	11.91%
Federal Home Loan Mortgage Corporation	62.80
Federal National Mortgage Association	25.29

### **Note 6: Receivables**

Receivables at December 31, 2006 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 1997. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

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 2006 is 18.75 percent. This will be reduced to

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2006

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### **Note 6: Receivables (continued)**

#### **A. Property Taxes ( continued)**

12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Twinsburg. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2006, was \$1.82 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Category	<u>Assessed Value</u>
Real estate	\$ 575,533,320
Public utility	11,818,300
Tangible personal	<u>102,913,748</u>
	\$ <u><u>690,265,368</u></u>

#### **B. Income Taxes**

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

The City, by ordinance, allocates income tax revenues and expenditures for collecting, administering, and enforcing the tax to the general and capital projects funds. The actual cash collected in 2006 was \$17,774,847.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2006**

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### **Note 6: Receivables (continued)**

#### ***C. Intergovernmental Receivables***

A summary of intergovernmental receivables follows:

##### Governmental activities:

Local government and local government	
Revenue assistance	\$ 485,054
Estate tax	32,189
CAT tax	6,516
Gasoline and excise tax	289,277
Motor vehicle license fees	34,764
Permissive motor vehicle license tax	<u>3,433</u>
	\$ <u><u>851,233</u></u>

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2006

### Note 7: Capital Assets

Capital asset activity for government the year ended December 31, 2006, was as follows:

	Balances 12/31/05	Restatement	Restated Balance 12/31/05	Additions	Disposals	Balances 12/31/06
<b>Governmental Activities:</b>						
Capital assets not being depreciated						
Construction in process	\$ 2,832,055	\$ (344,356)	\$ 2,487,699	\$ 329,237	\$ -	\$ 2,816,936
Land	<u>22,286,601</u>	<u>529,005</u>	<u>22,815,606</u>	<u>388,597</u>	<u>-</u>	<u>23,204,203</u>
Total capital assets not being depreciated	<u>25,118,656</u>	<u>184,649</u>	<u>25,303,305</u>	<u>717,834</u>	<u>-</u>	<u>26,021,139</u>
Capital assets being depreciated						
Land improvements	3,371,094	(526,751)	2,844,343	-	-	2,844,343
Buildings	7,837,219	698,775	8,535,994	52,725	-	8,588,719
Machinery and equipment	4,295,887	(30,684)	4,265,203	80,091	(18,850)	4,326,444
Vehicles	4,840,160	362,886	5,203,046	258,251	-	5,461,297
Infrastructure:						
Roads	41,807,397	455,623	42,263,020	940,532	-	43,203,552
Water mains	29,838,590	-	29,838,590	-	-	29,838,590
Storm sewers and culverts	31,036,617	(49,036)	30,987,581	-	-	30,987,581
Traffic signs and signals	519,575	141,388	660,963	-	-	660,963
Streetlights	<u>1,516,106</u>	<u>-</u>	<u>1,516,106</u>	<u>15,896</u>	<u>-</u>	<u>1,532,002</u>
Total capital assets being depreciated	<u>125,062,645</u>	<u>1,052,201</u>	<u>126,114,846</u>	<u>1,347,495</u>	<u>(18,850)</u>	<u>127,443,491</u>
Less accumulated depreciation:						
Land improvements	(798,751)	29,153	(769,598)	(76,182)	-	(845,780)
Buildings	(2,227,583)	(113,251)	(2,340,834)	(181,747)	-	(2,522,581)
Machinery and equipment	(2,017,556)	63,640	(1,953,916)	(267,445)	8,797	(2,212,564)
Vehicles	(2,063,527)	(155,483)	(2,219,010)	(337,307)	-	(2,556,317)
Infrastructure:						
Roads	(20,704,268)	(359,244)	(21,063,512)	(2,160,175)	-	(23,223,687)
Water mains	(3,609,805)	-	(3,609,805)	(298,321)	-	(3,908,126)
Storm sewers and culverts	(5,627,866)	(7,270)	(5,635,136)	(514,031)	-	(6,149,167)
Traffic signs and signals	(275,892)	(45,293)	(321,185)	(36,720)	-	(357,905)
Streetlights	<u>(677,419)</u>	<u>(1)</u>	<u>(677,420)</u>	<u>(61,281)</u>	<u>-</u>	<u>(738,701)</u>
Total accumulated depreciation	<u>(38,002,667)</u>	<u>(587,749)</u>	<u>(38,590,416)</u>	<u>(3,933,209)</u>	<u>8,797</u>	<u>(42,514,828)</u>
Net capital assets being depreciated	<u>87,059,978</u>	<u>464,452</u>	<u>87,524,430</u>	<u>(2,585,714)</u>	<u>(10,053)</u>	<u>84,928,663</u>
Governmental activities capital assets, net	\$ <u>112,178,634</u>	\$ <u>649,101</u>	\$ <u>112,827,735</u>	\$ <u>(1,867,880)</u>	\$ <u>(10,053)</u>	\$ <u>110,949,802</u>

# City of Twinsburg, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2006

#### Note 7: Capital Assets (continued)

	Balance 12/31/05	Adjustments	Restated Balance 12/31/05	Additions	Disposals	Balance 12/31/06
<b>Business-Type Activities:</b>						
Capital assets not being depreciated:						
Land	\$ 2,681,150	\$ -	\$ 2,681,150	\$ -	\$ -	\$ 2,681,150
Capital assets being depreciated:						
Land improvements	137,172	-	137,172	-	-	137,172
Buildings and improvements	23,968,777	(120,753)	23,848,024	-	-	23,848,024
Machinery and equipment	2,175,066	63,142	2,238,208	72,565	-	2,310,773
Vehicles	659,047	-	659,047	-	-	659,047
Infrastructure:						
Sewer lines	28,724,226	448,485	29,172,711	-	-	29,172,711
Total capital assets being depreciated	55,664,288	390,874	56,055,162	72,565	-	56,127,727
Less: accumulated depreciation	(11,339,058)	(100,583)	(11,439,641)	(1,103,614)	-	(12,543,255)
Net capital assets being depreciated	44,325,230	290,291	44,615,521	(1,031,049)	-	43,584,472
Total business-type activities capital assets, net	\$ 47,006,380	\$ 290,291	\$ 47,296,671	\$ (1,031,049)	\$ -	\$ 46,265,622

Depreciation expense was charged to governmental activities as follows:

Community development	\$ 21,809
General government	88,135
Leisure time activities	198,736
Security of persons and property	381,733
Transportation	3,242,796
Total depreciation expense	\$ 3,933,209

#### 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
<u>General obligation bonds:</u>			
Park land and conservation	2002	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
<u>Special Assessment Bonds:</u>			
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
<u>Enterprise Fund Bonds:</u>			
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, 2006**

### **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, 2006 was as follows:

	Restated Balance <u>12/31/05</u>	Issued (Retired) <u>(Retired)</u>	Balance <u>12/31/06</u>	Due in <u>One Year</u>
<b>Governmental Activities:</b>				
General obligation bonds:				
Park land and conservation, due through 2021	\$ 8,890,000	\$ (440,000)	\$ 8,450,000	\$ 294,840
Senior citizens center, due through 2021	2,066,113	(46,110)	2,020,003	100,000
Darrow Road improvement, due through 2022	<u>2,760,000</u>	<u>(120,000)</u>	<u>2,640,000</u>	<u>125,000</u>
Total general obligation bonds	<u>13,716,113</u>	<u>(606,110)</u>	<u>13,110,003</u>	<u>519,840</u>
Special assessment bonds:				
Liberty/Cannon/Case/Darrow due through 2023	270,000	(15,000)	255,000	15,000
Creekside/Glenwood improvement, due through 2013	80,000	(10,000)	70,000	10,000
Darrow/Chamberlin, due through 2015	30,000	(3,000)	27,000	3,000
Chamberlin Waterline Due through 2025, restated	<u>62,000</u>	<u>(3,000)</u>	<u>59,000</u>	<u>3,000</u>
Total special assessment bonds	<u>442,000</u>	<u>(31,000)</u>	<u>411,000</u>	<u>31,000</u>
ODOT loan payable	1,922,057	(201,652)	1,720,405	215,337
Accrued compensated absences	<u>1,607,528</u>	<u>108,905</u>	<u>1,716,433</u>	<u>663,962</u>
Total governmental activities	\$ <u>17,687,698</u>	\$ <u>(729,857)</u>	\$ <u>16,957,841</u>	\$ <u>1,430,139</u>
<b>Business-Type Activities:</b>				
General obligation bonds:				
Golf course refunding bonds	\$ <u>2,111,113</u>	\$ <u>(46,110)</u>	\$ <u>2,065,003</u>	\$ <u>100,000</u>
Special assessment bonds:				
Cannon/Case North/Darrow Water improvement, due through 2011	<u>60,000</u>	<u>(10,000)</u>	<u>50,000</u>	<u>10,000</u>
Accrued compensated absences	<u>321,006</u>	<u>1,652</u>	<u>322,658</u>	<u>84,900</u>
Total business-type activities, restated	\$ <u>2,492,119</u>	\$ <u>(54,458)</u>	\$ <u>2,437,661</u>	\$ <u>194,900</u>

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2006**

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### **Note 8: Long-Term Obligations (continued)**

#### **C. Other Long-Term Obligations (continued)**

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2006 were as follows:

Year	General Obligation Bonds		Special Assessment Bonds		Total
	Principal	Interest	Principal	Interest	
2007	\$ 619,840	\$ 842,600	\$ 41,000	\$ 22,892	\$ 1,526,332
2008	610,160	851,052	41,000	21,043	1,523,255
2009	805,000	658,728	41,000	18,970	1,523,698
2010	835,000	626,958	41,000	16,896	1,519,854
2011-2015	4,730,000	2,579,363	145,000	57,531	7,511,894
2016-2020	5,975,000	1,323,220	90,000	29,440	7,417,660
2021-2025	<u>1,600,006</u>	<u>89,920</u>	<u>62,000</u>	<u>7,298</u>	<u>1,759,224</u>
	\$ <u>15,175,006</u>	\$ <u>6,971,841</u>	\$ <u>461,000</u>	\$ <u>174,070</u>	\$ <u>22,781,917</u>

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.

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

### **Note 9: 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 1740 hours for OP&F employees, upon retirement from the City, and 30 years of service for PERS employees and 20 years of service for retiring police employees. Individuals leaving the employment of the City prior to retirement lose their accumulated sick leave.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2006**

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### **Note 10: Pension Plans**

#### **A. *Ohio Public Employees Retirement System***

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

OPERS provides retirement, disability, survivor benefits and annual cost-of living adjustments to members of both 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) 222-6705 or (800)-222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salary to fund pension obligations. The City contributed 13.70 percent of covered payroll, of which 4.0 percent was used to fund health care coverage for retirees. The contribution rate is determined actuarially. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City of Twinsburg's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$633,722, \$589,253, and \$565,927, respectively, equal to the required contributions for each year. The full amount has been contributed for all 2005 and 2004. 100 percent has been contributed for 2006. Contributions to the member-directed plan for 2005 were \$664 made by the City of Twinsburg and \$436 made by the plan members.

#### **B. *Ohio Police and Fire Pension Fund***

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

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2006**

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### **Note 10: Pension Plans (continued)**

#### ***B. Ohio Police and Fire Pension Fund (continued)***

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by state statute. The City of Twinsburg's contributions to the Fund for police and firefighters were \$436,366 and \$499,184 for the year ended December 31, 2006, \$423,486 and \$485,856 for the year ended December 31, 2005, and \$410,537 and \$459,011 for the year ended December 31, 2004. The full amount has been contributed for 2005 and 2004. 77 percent for police and 77 percent for firefighters has been contributed for 2006 with the remainder being reported as a liability.

### **Note 11: 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 provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional 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 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 No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2006, state employers contributed at a rate of 13.54% of covered payroll, local government employer units contributed at 13.70% of covered payroll, and public safety and law enforcement employer units contributed at 16.93%. The portion of employer contributions for all employers allocated to health care was 4.5 percent.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent. An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 6 percent for the next nine years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2006**

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### **Note 11: Postemployment Benefits (continued)**

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

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

At December 31, 2006, the number of active contributing participants in the Traditional and Combined Plans totaled 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. The City's actual contributions for 2006, which were used to fund postemployment benefits, were \$316,893. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarially accrued liability for OPEB were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

#### **B. *Ohio Police and Fire Pension Fund***

The Ohio Police and Fire Pension Fund ("OP&F") provides 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll. The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to offer health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75 percent of covered payroll in 2005 and in 2006. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2006

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### **Note 11: Postemployment Benefits (continued)**

#### ***B. Ohio Police and Fire Pension Fund (continued)***

The number of participants eligible to receive health care benefits as of December 31, 2005, the date of the last actuarial valuation available, was 13,922 for police and 10,537 for firefighters. The City's actual contributions for 2006 that were used to fund post-employment benefits were \$173,428 for police and \$161,195 for firefighters. OP&F's total health care expenses for the year ending December 31, 2005, the date of the last actuarial valuation available, was \$108,039,449, which was net of member contributions of \$55,271,881.

### **Note 12: Risk Management**

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

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

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

### **Note 13: Interfund Transfers**

Interfund transfers for the year ended December 31, 2006, consisted of the following:

<u>Transfer to</u>	<u>Transfer From</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvement</u>	
Capital improvement fund	\$ 1,000,000	\$ -	\$ 1,000,000
Non major governmental funds	455,000	737,063	1,192,063
Golf course fund	150,000	-	150,000
Fitness Center fund	<u>350,000</u>	<u>-</u>	<u>350,000</u>
	\$ <u>1,955,000</u>	\$ <u>737,063</u>	\$ <u>2,692,063</u>

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2006**

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### **Note 13: Interfund Transfers (continued)**

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

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

### **Note 14: 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 15: Restatement of Prior Year Fund Balances**

#### **A. Restatement of Fund Balance**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net assets, December 31, 2005	\$ 116,694,529	\$ 47,144,291
Restatement of capital assets	649,101	290,291
Restatement of long-term liabilities	<u>(62,000)</u>	<u>                    </u>
Fund balance, December 31, 2005, restated	\$ <u>117,281,630</u>	\$ <u>47,434,582</u>

The December 31, 2005 governmental activities and business-type activities net assets have been restated due to adjustments made to capital assets because of a change in the capital asset threshold dollar amount in the prior year and a correction to the beginning special assessment bonds payable. The Management's Discussion and Analysis 2005 Net Asset schedule has been adjusted for both adjustments. However, the 2005 Statement of Activities schedule has not been restated for the capital asset adjustment due to the changes not affecting the 2005 activity.

The business-type activities fund balances at December 31, 2005 were also restated due to the same adjustment to capital assets. The December 31, 2005 net assets were restated for the Sewer Fund and Fitness Center Fund from \$36,016,508 to \$36,272,636, and \$10,204,035 to \$10,238,198, respectively.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2006**

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### **Note 16: Accountability and Compliance**

#### **A. *Accountability***

The following funds had deficit fund balances at December 31, 2006:

Police Pension	\$	570
Fire Pension		108,357

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, 2006. These deficits will be eliminated with future events.

#### **B. *Compliance***

The following funds had original appropriations plus prior year encumbrances in excess of estimated resources plus carryover balances contrary to Section 5705.39, Ohio Revised Code:

Permissive Tax Fund	\$	38,152
Community Development		1,452

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

Members of City Council  
Twinsburg, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twinsburg, Ohio (the “City”) as of and for the year ended December 31, 2006, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 26, 2007, wherein we noted the City adopted Government Accounting Standards Board Statement No. 46 and 47. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City’s financial statements that is more than inconsequential will not be prevented or detected by the City’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City’s internal control.

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

Members of City Council  
Twinsburg, Ohio

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City, in a separate letter dated June 26, 2007.

This report is intended solely for the information and use of management, the audit committee, and City Council and is not intended to be and should not be used by anyone other than these specified parties.

*Cini & Panichi, Inc.*

Cleveland, Ohio  
June 26, 2007



**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  
JULY 19, 2007**