

City of Twinsburg, Ohio

**Basic Financial Statements
December 31, 2007**



Mary Taylor, CPA
Auditor of State

City 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, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

August 14, 2008

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City of Twinsburg, Ohio

For The Year Ended December 31, 2007

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Independent Auditors' Report

Honorable Mayor and
Members of Council
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, 2007, 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'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, as of December 31, 2007, 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, 2007, the City of Twinsburg, implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans* and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2008, on our consideration of the City of Twinsburg'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.

Honorable Mayor and
Members of Council
Twinsburg, Ohio

The management's discussion and analysis on pages 3 through 14 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.

Cini & Parichi, Inc.

Cleveland, Ohio
June 30, 2008

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2007

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, 2007. 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 2007 are as follows:

- ◆ The assets of the City of Twinsburg exceeded its liabilities at the close of the most recent fiscal year by \$174,060,766. Of this amount, \$7,528,605 million may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets decreased by \$4,594,437, which represents a decrease of approximately 2.3 percent over 2006. The primary change that contributed to this decrease was the decrease in capital assets of \$3,381,561.
- ◆ Total liabilities decreased by \$809,629, which represents a decrease of 3.6 percent under 2006. The main factors contributing to this decrease was a decrease of \$671,871 in long term liabilities and by a decrease in accounts payable of \$408,788, which are both off set by an increase in deferred revenue of \$202,657.
- ◆ In total, net assets decreased by \$3,784,808 during 2007. This represents a 2 percent decrease from 2006.

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
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For the Fiscal Year Ended December 31, 2007

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
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For the Fiscal Year Ended December 31, 2007

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, 2007

Table 1 provides a summary of the City's net assets for 2007 as compared to 2006.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other Assets	\$ 24,247,463	\$ 26,222,377	\$ 4,013,971	\$ 3,251,933	\$ 28,261,434	\$ 29,474,310
Capital assets, net	<u>122,054,255</u>	<u>124,600,461</u>	<u>45,430,267</u>	<u>46,265,622</u>	<u>167,484,522</u>	<u>170,866,083</u>
Total assets	<u>146,301,718</u>	<u>150,822,838</u>	<u>49,444,238</u>	<u>49,517,555</u>	<u>195,745,956</u>	<u>200,340,393</u>
Liabilities:						
Current and other Liabilities	2,469,587	2,726,112	382,746	373,205	2,852,333	3,099,317
Long-term liabilities:						
Due within one year	1,444,317	1,430,139	227,304	194,900	1,671,621	1,625,039
Due in more than one year	<u>15,025,840</u>	<u>15,527,702</u>	<u>2,135,396</u>	<u>2,242,761</u>	<u>17,161,236</u>	<u>17,770,463</u>
Total liabilities	<u>18,939,744</u>	<u>19,683,953</u>	<u>2,745,446</u>	<u>2,810,866</u>	<u>21,685,190</u>	<u>22,494,819</u>
Net assets:						
Invested in capital assets, net of related debt	107,374,718	109,359,053	43,425,264	44,150,619	150,799,982	153,509,672
Restricted for:						
Capital projects	12,079,485	11,177,359	-	-	12,079,485	11,177,359
Debt service	-	594,193	-	-	-	594,193
Other purposes	3,821,836	1,010,521	-	-	3,821,836	1,010,521
Unrestricted	<u>4,085,935</u>	<u>8,997,759</u>	<u>3,273,528</u>	<u>2,556,070</u>	<u>7,359,463</u>	<u>11,553,829</u>
Total net assets, restated \$	<u>127,361,974</u>	<u>131,138,885</u>	<u>46,698,792</u>	<u>46,706,689</u>	<u>174,060,766</u>	<u>177,845,574</u>

City of Twinsburg
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Total net assets of the City decreased \$3,784,808. The following factors were responsible for this decrease:

- A decrease in cash and cash equivalents of \$1,742,509.
- A decrease in capital assets of \$3,381,561.
- A decrease of \$107,826 in the intergovernmental receivable.
- A decrease in accounts payable of \$408,788.
- A decrease in long term liabilities \$671,871.

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 .017 percent in 2007. 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 2006.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2007

Table 2
Statement of Activities

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program revenues:						
Charges for services	\$ 2,609,478	\$ 2,409,783	\$ 5,835,331	\$ 5,045,156	\$ 8,444,809	\$ 7,454,939
Operating grants and contributions	19,210	17,178	-	-	19,210	17,178
Capital grants and contributions	<u>92,500</u>	<u>44,755</u>	<u>103,132</u>	<u>-</u>	<u>195,632</u>	<u>44,755</u>
Total program revenue	<u>2,721,188</u>	<u>2,471,716</u>	<u>5,938,463</u>	<u>5,045,156</u>	<u>8,659,651</u>	<u>7,516,872</u>
General revenues:						
Property taxes	1,166,814	1,411,521	-	-	1,166,814	1,411,521
Income taxes	17,831,959	17,336,011	-	-	17,831,959	17,336,011
Grants and entitlements not restricted to specific purposes	3,091,200	2,874,925	-	-	3,091,200	2,874,925
Investment earnings	1,177,477	1,069,976	52,157	48,438	1,229,634	1,118,414
Miscellaneous	23,706	965,944	-	-	23,706	965,944
Transfers	<u>-</u>	<u>-</u>	<u>505,000</u>	<u>500,000</u>	<u>505,000</u>	<u>500,000</u>
Total general revenues	<u>23,291,156</u>	<u>23,658,377</u>	<u>557,157</u>	<u>548,438</u>	<u>23,848,313</u>	<u>24,206,815</u>
Total revenues	<u>26,012,344</u>	<u>26,130,093</u>	<u>6,495,620</u>	<u>5,593,594</u>	<u>32,507,964</u>	<u>31,723,687</u>
Program expenses:						
General government	5,889,322	3,081,085	-	-	5,889,322	3,081,085
Security of persons and property	7,674,239	8,808,154	-	-	7,674,239	8,808,154
Transportation	7,099,470	7,983,434	-	-	7,099,470	7,983,434
Leisure time activities	1,852,287	1,859,774	-	-	1,852,287	1,859,774
Community development	5,935,997	2,753,594	-	-	5,935,997	2,753,594
Basic utility services	6,176	112,834	-	-	6,176	112,834
Interest and fiscal charges	826,764	824,622	-	-	826,764	824,622
Sewer	-	-	3,879,794	3,438,013	3,879,794	3,438,013
Golf course	-	-	1,153,060	1,272,176	1,153,060	1,272,176
Fitness center	-	-	1,470,663	1,611,298	1,470,663	1,611,298
Transfers	<u>505,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>505,000</u>	<u>500,000</u>
Total program expenses	<u>29,789,255</u>	<u>25,923,497</u>	<u>6,503,517</u>	<u>6,321,487</u>	<u>36,292,772</u>	<u>32,244,984</u>
Change in net assets	\$ <u>(3,776,911)</u>	\$ <u>205,596</u>	\$ <u>(7,897)</u>	\$ <u>(727,893)</u>	\$ <u>(3,784,808)</u>	\$ <u>(521,297)</u>

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2007

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 2007, the revenues generated from this tax amounted to \$17,831,959. The increase in income tax revenue from 2006 was 2.86 percent attributed to the transition period for the city to turn over the management and collection of the city's income taxes over to the Regional Income Tax Agency. The City continues to enforce the delinquent letter program and the subpoena program to ensure compliance with the local tax laws.

Security of Persons and Property and General Government are the major activities of the City generating percent of the governmental expenses. Currently, there are 35 full-time sworn officers, 2 sworn part-time officers/jailers and a civilian support staff of 16 employees in the police department. During 2007, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology. Each police officer has the opportunity to receive a minimum of 32 hours of in-house, in-service training annually in addition to participation in other training courses offered locally, regionally and statewide. The radio system update project that began in 2006 continued with the installation of new antennas, transmitters and receivers and with the direct connection of the primary radio tower to the Communications Center. The project is scheduled for completion in late 2008 with the addition of a third tower site located in the City of Hudson. The City also received \$22,583 for the Dare Grant and a \$5,000 grant for the e-ticket program in cooperation with Cuyahoga Falls Municipal Court. Security of Persons and Property and General Government are the major activities of the City generating 45.53 percent of the governmental expenses. Currently, there are 35 full-time sworn officers in the police department. During 2007, 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 33 full-time and 29 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 2,234 calls for assistance of which approximately 1,669 were for EMS and 565 for fire and fire related incidents. This constituted a decrease of 6 percent over 2006. The total cost of operating the Fire and EMS department during 2007 was \$4,077,065 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 State of Ohio EMS grant for \$3,000 for two officers that attended the Ohio Fire Executive Training Program in Columbus, Ohio. The construction of a second fire station was 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.

Capital improvements are dominated by the City's road program. This program includes both major and minor resurfacing and new roadway construction. New roadway construction is limited to the 500 l.f. section of roadway east of Darrow Road that will extend Highland Road. Construction costs are estimated at about into an

City of Twinsburg
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\$450,000 with construction activity anticipated this fall into next spring. The Ohio Department of Development is contributing \$150,000 toward the cost of this project in support of the continued operation and employment growth of G.E. Energy and its need to access this road segment.

The annual road program, which is used primarily to provide maintenance and preservation of existing roadways, will cost about \$685,000. Improvements to sanitary, water, storm water, traffic signals and sidewalks are anticipated to cost an additional \$2,089,000. Approximately \$759,000 of this cost will come from various fund accounts and not from capital.

Business-Type Activities

The Business-Type activities of the City, which include the City's sewer, golf course, and fitness center operations, decreased the City's net assets by \$7,897.

Net program expenses exceeded net program revenues in the amount of \$13,041 for the sewer operations for 2007. This is due to increased operating expenses.

Net program expenses exceeded program revenue in the amount of \$545,556 for the fitness center operations for 2007. Although memberships increased 5% over 2006, 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 \$6,457 for the golf course operations for 2007.

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 \$28,079,931 and expenditures and other financing uses of \$29,121,831.

The net change in fund balance for the year was most significant in the Capital Improvement Capital Projects Fund showing a decrease in fund balance of \$874,383 in 2007. The General Fund also reflected a decrease of \$289,549, which decreases the beginning fund balance of \$8,314,028 to 8,024,479. 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.

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For the General Fund, final budget basis revenue was \$1,664,618 under the original budget estimates of \$19,932,236. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenue areas. The final appropriations of \$20,670,321 were sufficient to meet the expenditures for the year, which ended up at \$19,640,304.

The City's ending unobligated budgetary fund balance was \$634,601 lower than the final budgeted amount.

Business-Type Funds

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

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the City of Twinsburg had \$167,484,522 invested in land, buildings, equipment and infrastructure.

Table 3 shows fiscal 2007 balances of Capital Assets as compared to the restated 2006 balances:

Table 3
 Capital Assets at December 31

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Construction in process	\$ 41,481	\$ 2,816,936	\$ -	\$ -	\$ 41,481	\$ 2,816,936
Land and land improvements	26,207,443	26,048,546	2,828,282	2,818,322	29,035,725	28,866,868
Buildings	10,132,169	8,588,719	23,890,378	23,848,024	34,022,547	32,336,743
Machinery and equipment	4,619,554	4,326,444	2,415,421	2,310,773	7,034,975	6,637,217
Vehicles	5,307,070	5,461,297	659,047	659,047	5,966,117	6,120,344
Infrastructure:						
Roads	50,657,904	50,193,370	-	-	50,657,904	50,193,370
Water mains	30,264,693	29,838,590	-	-	30,264,693	29,838,590
Storm sewers and culverts	31,587,317	31,004,054	-	-	31,587,317	31,004,054
Traffic signs and signals	660,963	660,963	-	-	660,963	660,963
Street lights	1,562,118	1,523,988	-	-	1,562,118	1,523,988
Sanitary sewer lines	-	-	29,210,125	29,172,711	29,210,125	29,172,711
Less: accumulated depreciation	<u>(38,986,457)</u>	<u>(35,862,446)</u>	<u>(13,572,986)</u>	<u>(12,543,255)</u>	<u>(52,559,443)</u>	<u>(48,405,701)</u>
Total capital assets	<u>\$ 122,054,255</u>	<u>\$ 124,600,461</u>	<u>\$ 45,430,267</u>	<u>\$ 46,265,622</u>	<u>\$ 167,484,522</u>	<u>\$ 170,866,083</u>

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Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2007

The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as fire trucks and ambulances are planned for well in advance by the respective department heads and a scheduled maintenance and replacement time-table is followed to provide peak performance for the maximum time frame. Vehicles no longer in service are either traded in or sold at an auction or on-line. In Fiscal 2007, the City entered into a three year lease with \$1.00 buyout for three 2007 Dodge Chargers.

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, 2007, the City of Twinsburg had \$18,832,857 in outstanding debt and compensated absences, of which \$14,555,166 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>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General Obligation Bonds	\$ 12,590,163	\$ 13,110,003	\$ 1,965,003	\$ 2,065,003	\$ 14,555,166	\$ 15,175,006
Special Assessment Bonds	380,000	411,000	40,000	50,000	420,000	461,000
ODOT loan payable	1,709,374	1,720,405	-	-	1,709,374	1,720,405
Compensated Absences	<u>1,790,620</u>	<u>1,716,433</u>	<u>357,697</u>	<u>322,658</u>	<u>2,148,317</u>	<u>2,039,091</u>
Total	\$ <u>16,470,157</u>	\$ <u>16,957,841</u>	\$ <u>2,362,700</u>	\$ <u>2,437,661</u>	\$ <u>18,832,857</u>	\$ <u>19,395,502</u>

At December 31, 2007, the City's overall legal debt margin was \$54,656,919. At year-end, the outstanding general obligation debt was \$14,555,166 and the outstanding Special Assessment bonds were \$420,000. 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, 2007

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. Bright spots include the recent completion of the U. S. Army Reserve Center on Chamberlin Road. This largest of its kind facility will be staffed with 81 persons and will bring 300-350 reservist to the City on any given weekend. It is expected that this recession-proof institutional use will have substantial indirect benefits including increased economic activity at area restaurants, hotels, gasoline service stations, etc.

The recent completion of University Hospital Health Systems Twinsburg Center has resulted in the creation of more than 39 new jobs in this health sector business and provides further diversification of the City's economic base.

Several development projects are in the pipeline that will improve results for late 2008 to 2009 and beyond. Cleveland Clinic Foundation plans for a new 170,000 s.f. medical center on Darrow Road near I-480 will spring to life, with site clearance and construction activity picking up before the end of this year. Construction related jobs alone will add about \$100,000 of income tax revenues to the City. Upon completion in 2010 the estimated annual payroll of over \$30,000,000 will contribute about \$600,000 annually in new payroll taxes. This facility will also attract other ancillary uses with their associated employment.

Non-residential construction is moderately active. Ray Fogg Bulding Methods is in the process of constructing a 210,000 s.f. warehouse facility which is already totally leased. They also have preliminary site plan approval for a similar building on Dutton Drive. Heritage Land Company has received final site plan approval for the construction of 32,000 s.f. commercial center at the southwest corner of E. Aurora Road and Chamberlin Road.

The City is poised for continued growth when the housing market improves. A 17 unit subdivision is currently under construction while 132 remaining cluster units are awaiting site plan approval. A 50-unit Senior Residence project is also in the design phases. Litigation is delaying the start of a subdivision that will improve the Corbett's Farm property some time in 2009.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2007

Developers are in the planning phases of the “Fashion Place Center”, a regional mall facility to be located partially in the City and partially in Twinsburg Township. This 600,000 s.f. retail center will be subject to a Joint Development Agreement between the two communities to permit income tax sharing. Should this development materialize, several hundred jobs would be created in about three years.

A proposed zoning amendment will, if approved by the voters in November, allow for mixed use development of properties surrounding the historic square. If successful at the polls, passage of this issue would significantly encourage additional investment in this center-of-town location.

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 2007 total fees collected for all permits was \$71,842. At the end of the first quarter of 2008 total fees collected equaled \$32,223. This decrease is primarily due to the decline in residential construction activity and the downturn in sewer tap-in fees that has resulted from the recent halt in housing construction. These Revenues should be largely restored in 2009 when the Cleveland Clinic project gets underway and as the housing crisis begins to recover.

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, Michelle Bowens, City of Twinsburg, 10075 Ravenna Road, Twinsburg, Ohio 44087, telephone (330) 425-7161, or web site at my.twinsburg.com.

City of Twinsburg, Ohio

Statement of Net Assets

December 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 17,746,920	\$ 3,180,604	\$ 20,927,524
Materials and supplies inventory	219,776	28,324	248,100
Accrued interest receivable	393,883	4,693	398,576
Accounts receivable	120,535	675,104	795,639
Intergovernmental receivable	743,407	-	743,407
Income taxes receivable	5,022,942	-	5,022,942
Special assessments receivable	-	125,246	125,246
Nondepreciable capital assets	23,338,184	2,681,150	26,019,334
Depreciable capital assets, net	<u>98,716,071</u>	<u>42,749,117</u>	<u>141,465,188</u>
Total assets	<u>146,301,718</u>	<u>49,444,238</u>	<u>195,745,956</u>
Liabilities:			
Accounts payable	362,161	114,902	477,063
Accrued wages and benefits	236,021	48,703	284,724
Intergovernmental payable	505,199	6,745	511,944
Deferred revenue	1,290,968	204,613	1,495,581
Accrued interest payable	75,238	7,783	83,021
Long-term liabilities:			
Due within one year	1,444,317	227,304	1,671,621
Due in more than one year	<u>15,025,840</u>	<u>2,135,396</u>	<u>17,161,236</u>
Total liabilities	<u>18,939,744</u>	<u>2,745,446</u>	<u>21,685,190</u>
Net assets:			
Invested in capital assets, net of related debt	107,374,718	43,425,264	150,799,982
Restricted for (deficit):			
Capital projects	12,079,485	-	12,079,485
Other purposes	3,821,836	-	3,821,836
Unrestricted	<u>4,085,935</u>	<u>3,273,528</u>	<u>7,359,463</u>
Total net assets	<u>\$ 127,361,974</u>	<u>\$ 46,698,792</u>	<u>\$ 174,060,766</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, 2007

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 5,889,322	\$ 945,106	\$ -	\$ -
Security of persons and property	7,674,239	471,840	19,210	-
Transportation	7,099,470	312,647	-	92,500
Leisure time activities	1,852,287	421,309	-	-
Community development	5,935,997	458,576	-	-
Basic utility service	6,176	-	-	-
Interest and fiscal charges	826,764	-	-	-
Total governmental activities	<u>29,284,255</u>	<u>2,609,478</u>	<u>19,210</u>	<u>92,500</u>
Business-type activities:				
Sewer	3,879,794	3,763,621	-	103,132
Golf	1,153,060	1,146,603	-	-
Fitness center	<u>1,470,663</u>	<u>925,107</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>6,503,517</u>	<u>5,835,331</u>	<u>-</u>	<u>103,132</u>
Total	\$ <u>35,787,772</u>	\$ <u>8,444,809</u>	\$ <u>19,210</u>	\$ <u>195,632</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
\$ (4,944,216)	\$ -	\$ (4,944,216)
(7,183,189)	-	(7,183,189)
(6,694,323)	-	(6,694,323)
(1,430,978)	-	(1,430,978)
(5,477,421)	-	(5,477,421)
(6,176)	-	(6,176)
(826,764)	-	(826,764)
<u>(26,563,067)</u>	<u>-</u>	<u>(26,563,067)</u>
-	(13,041)	(13,041)
-	(6,457)	(6,457)
-	<u>(545,556)</u>	<u>(545,556)</u>
-	<u>(565,054)</u>	<u>(565,054)</u>
<u>(26,563,067)</u>	<u>(565,054)</u>	<u>(27,128,121)</u>
547,812	-	547,812
619,002	-	619,002
14,153,742	-	14,153,742
3,678,217	-	3,678,217
3,091,200	-	3,091,200
1,177,477	52,157	1,229,634
23,706	-	23,706
<u>(505,000)</u>	<u>505,000</u>	<u>-</u>
<u>22,786,156</u>	<u>557,157</u>	<u>23,343,313</u>
(3,776,911)	(7,897)	(3,784,808)
<u>131,138,885</u>	<u>46,706,689</u>	<u>177,845,574</u>
\$ <u>127,361,974</u>	\$ <u>46,698,792</u>	\$ <u>174,060,766</u>

City of Twinsburg, Ohio

Balance Sheet Governmental Funds

December 31, 2007

	<u>General</u>	<u>Park Debt</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 5,144,413	\$ 27,893
Income taxes receivable	2,941,390	920,889
Accounts receivable	81,809	-
Accrued interest receivable	393,883	-
Intergovernmental receivable	446,792	-
Materials and supplies inventory	<u>219,776</u>	<u>-</u>
Total assets	<u>\$ 9,228,063</u>	<u>\$ 948,782</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 180,918	\$ -
Accrued wages	125,187	-
Intergovernmental payable	254,795	-
Deferred revenue	<u>642,684</u>	<u>920,889</u>
Total liabilities	<u>1,203,584</u>	<u>920,889</u>
Fund balances:		
Reserve for encumbrances	94,057	-
Reserve for inventory	219,776	-
Unreserved:		
Undesignated, reported in:		
General fund	7,710,646	-
Special revenue funds	-	-
Debt service funds	-	27,893
Capital project funds	<u>-</u>	<u>-</u>
Total fund balances	<u>8,024,479</u>	<u>27,893</u>
Total liabilities and fund balances	<u>\$ 9,228,063</u>	<u>\$ 948,782</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>
\$ 9,331,502	\$ 216,440	\$ 3,026,672	\$ 17,746,920
735,347	-	425,316	5,022,942
25,819	-	12,907	120,535
-	-	-	393,883
-	-	296,615	743,407
-	-	-	219,776
<u>\$ 10,092,668</u>	<u>\$ 216,440</u>	<u>\$ 3,761,510</u>	<u>\$ 24,247,463</u>
\$ 53,958	\$ -	\$ 127,285	\$ 362,161
-	-	110,834	236,021
-	-	250,404	505,199
<u>97,369</u>	<u>-</u>	<u>606,719</u>	<u>2,267,661</u>
<u>151,327</u>	<u>-</u>	<u>1,095,242</u>	<u>3,371,042</u>
1,864,715	-	440,453	2,399,225
-	-	-	219,776
-	-	-	7,710,646
-	-	1,954,339	1,954,339
-	-	126,281	154,174
<u>8,076,626</u>	<u>216,440</u>	<u>145,195</u>	<u>8,438,261</u>
<u>9,941,341</u>	<u>216,440</u>	<u>2,666,268</u>	<u>20,876,421</u>
<u>\$ 10,092,668</u>	<u>\$ 216,440</u>	<u>\$ 3,761,510</u>	<u>\$ 24,247,463</u>

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City of Twinsburg, Ohio

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

December 31, 2007

Total Governmental Fund Balances \$ 20,876,421

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 122,054,255

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

Property and other taxes	\$ 51,526
Municipal income taxes	486,846
Intergovernmental	<u>438,321</u>

Total 976,693

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (75,238)

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

General obligation bonds	(12,590,163)
Special assessment bonds	(380,000)
ODOT loan payable	(1,709,374)
Compensated absences	<u>(1,790,620)</u>

Total (16,470,157)

Net assets of governmental activities \$ 127,361,974

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, 2007

	<u>General</u>	<u>Park Debt</u>
Revenues:		
Property and other taxes	\$ -	\$ 619,002
Municipal income tax	14,712,871	-
Other local taxes	125,177	-
Intergovernmental	843,249	-
Charges for services	1,257,695	-
License and permits	350,986	-
Fines and forfeitures	124,776	-
Investment income	1,177,477	-
Reimbursements received	368,103	-
Miscellaneous income	45,340	-
Total revenues	<u>19,005,674</u>	<u>619,002</u>
Expenditures:		
Current operations and maintenance:		
Security of persons and property	7,916,366	-
Leisure time activities	1,764,630	-
Community development	1,461,380	-
Basic utility service	-	-
Transportation	3,692,545	-
General government	3,345,302	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	294,840
Interest and fiscal charges	-	550,854
Total expenditures	<u>18,180,223</u>	<u>845,694</u>
Excess of revenues over (under) expenditures	<u>825,451</u>	<u>(226,692)</u>
Other financing sources (uses):		
Transfers - in	-	-
Transfers - out	<u>(1,115,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,115,000)</u>	<u>-</u>
Net change in fund balances	(289,549)	(226,692)
Fund balance beginning of year	<u>8,314,028</u>	<u>254,585</u>
Fund balance end of year	\$ <u><u>8,024,479</u></u>	\$ <u><u>27,893</u></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>
\$ -	\$ -	\$ 446,942	\$ 1,065,944
3,678,217	-	-	18,391,088
-	-	-	125,177
1,810,340	-	742,509	3,396,098
-	-	121,237	1,378,932
-	-	265,227	616,213
-	-	-	124,776
-	-	-	1,177,477
-	-	54,840	422,943
<u>16,220</u>	<u>-</u>	<u>28,760</u>	<u>90,320</u>
<u>5,504,777</u>	<u>-</u>	<u>1,659,515</u>	<u>26,788,968</u>
-	-	1,144,698	9,061,064
-	-	16,851	1,781,481
-	-	-	1,461,380
-	-	6,176	6,176
-	-	698,226	4,390,771
18,923	-	-	3,364,225
5,679,274	-	-	5,679,274
-	-	459,168	754,008
<u>-</u>	<u>-</u>	<u>276,635</u>	<u>827,489</u>
<u>5,698,197</u>	<u>-</u>	<u>2,601,754</u>	<u>27,325,868</u>
<u>(193,420)</u>	<u>-</u>	<u>(942,239)</u>	<u>(536,900)</u>
-	-	1,290,963	1,290,963
<u>(680,963)</u>	<u>-</u>	<u>-</u>	<u>(1,795,963)</u>
<u>(680,963)</u>	<u>-</u>	<u>1,290,963</u>	<u>(505,000)</u>
(874,383)	-	348,724	(1,041,900)
<u>10,815,724</u>	<u>216,440</u>	<u>2,317,544</u>	<u>21,918,321</u>
\$ <u>9,941,341</u>	\$ <u>216,440</u>	\$ <u>2,666,268</u>	\$ <u>20,876,421</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, 2007

Net Change in Fund Balances - Total Governmental Funds \$ (1,041,900)

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	\$ 1,144,758	
Depreciation	<u>(3,514,723)</u>	
Total		(2,369,965)

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. (176,241)

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	(24,307)	
Municipal income taxes	(559,129)	
Intergovernmental	<u>(93,779)</u>	
Total		(677,215)

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 753,782

Loan Payable increased long-term liabilities in the statement of net assets (191,910)

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	(74,187)	
Accrued interest on bonds	<u>725</u>	
Total		<u>(73,462)</u>

Change in Net Assets of Governmental Activities \$ (3,776,911)

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, 2007

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Municipal income taxes	\$ 14,400,000	\$ 14,400,000	\$ 13,938,777	\$ (461,223)
Other local taxes	166,579	166,579	131,650	(34,929)
Intergovernmental	1,080,775	1,080,775	854,151	(226,624)
Charges for services	1,601,830	1,601,830	1,265,948	(335,882)
License and permits	444,110	444,110	350,986	(93,124)
Fines and forfeitures	169,631	169,631	134,062	(35,569)
Investment income	1,479,057	1,479,057	1,168,919	(310,138)
Reimbursement received	478,019	478,019	377,785	(100,234)
Other	112,235	112,235	45,340	(66,895)
Total revenue	<u>19,932,236</u>	<u>19,932,236</u>	<u>18,267,618</u>	<u>(1,664,618)</u>
Expenditures:				
Current:				
Security of property and persons	8,290,196	8,386,112	7,974,749	411,363
Leisure time activities	1,853,164	1,874,139	1,748,102	126,037
Community development	1,589,382	1,606,999	1,463,655	143,344
Transportation	3,933,953	3,979,510	3,785,063	194,447
General government	<u>3,611,210</u>	<u>3,651,281</u>	<u>3,553,735</u>	<u>97,546</u>
Total expenditures	<u>19,277,905</u>	<u>19,498,041</u>	<u>18,525,304</u>	<u>972,737</u>
Excess of revenues over (under) expenditures	654,331	434,195	(257,686)	(691,881)
Other financing sources (uses):				
Transfers – out	<u>(1,158,860)</u>	<u>(1,172,280)</u>	<u>(1,115,000)</u>	<u>57,280</u>
Net change in fund balance	(504,529)	(738,085)	(1,372,686)	(634,601)
Fund balance beginning of the year	6,398,467	6,398,467	6,398,467	-
Outstanding encumbrances at year end	<u>118,632</u>	<u>118,632</u>	<u>118,632</u>	<u>-</u>
Fund balance end of the year	\$ <u>6,012,570</u>	\$ <u>5,779,014</u>	\$ <u>5,144,413</u>	\$ <u>(634,601)</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, 2007

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 2,815,489	\$ 166,629	\$ 198,486	\$ 3,180,604
Receivables:				
Accounts receivable	675,104	-	-	675,104
Special assessments receivable	125,246	-	-	125,246
Accrued interest receivable	4,693	-	-	4,693
Materials and supplies inventory	28,324	-	-	28,324
Total current assets	<u>3,648,856</u>	<u>166,629</u>	<u>198,486</u>	<u>4,013,971</u>
Non-current assets:				
Nondepreciable capital assets	31,150	2,650,000	-	2,681,150
Depreciable capital assets, net	<u>32,688,677</u>	<u>234,039</u>	<u>9,826,401</u>	<u>42,749,117</u>
Total non-current assets	<u>32,719,827</u>	<u>2,884,039</u>	<u>9,826,401</u>	<u>45,430,267</u>
Total assets	<u>36,368,683</u>	<u>3,050,668</u>	<u>10,024,887</u>	<u>49,444,238</u>
Liabilities:				
Current liabilities:				
Accounts payable	96,752	7,794	10,356	114,902
Accrued wages	48,703	-	-	48,703
Intergovernmental payable	6,745	-	-	6,745
Accrued interest payable	207	7,576	-	7,783
Deferred revenue	-	-	204,613	204,613
Due within one year	<u>103,793</u>	<u>118,644</u>	<u>4,867</u>	<u>227,304</u>
Total current liabilities	<u>256,200</u>	<u>134,014</u>	<u>219,836</u>	<u>610,050</u>
Long-term liabilities (net of current portion):				
Special assessment bonds payable	30,000	-	-	30,000
General obligation bonds payable	-	1,860,003	-	1,860,003
Compensated absences	<u>196,180</u>	<u>26,952</u>	<u>22,261</u>	<u>245,393</u>
Total long-term liabilities	<u>226,180</u>	<u>1,886,955</u>	<u>22,261</u>	<u>2,135,396</u>
Total liabilities	<u>482,380</u>	<u>2,020,969</u>	<u>242,097</u>	<u>2,745,446</u>
Net assets:				
Invested in capital assets, net of related debt	32,679,827	919,036	9,826,401	43,425,264
Unrestricted (deficit)	<u>3,206,476</u>	<u>110,663</u>	<u>(43,611)</u>	<u>3,273,528</u>
Total net assets	\$ <u>35,886,303</u>	\$ <u>1,029,699</u>	\$ <u>9,782,790</u>	\$ <u>46,698,792</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, 2007

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Operating revenues:				
Charges for services	\$ 3,741,562	\$ 1,146,603	\$ 923,626	\$ 5,811,791
Other	87	-	1,394	1,481
Total operating revenues	<u>3,741,649</u>	<u>1,146,603</u>	<u>925,020</u>	<u>5,813,272</u>
Operating expenses:				
Personal services	1,700,225	515,357	854,591	3,070,173
Materials and supplies	275,723	200,042	159,736	635,501
Contractual services	758,232	251,862	154,907	1,165,001
Other operating expenses	-	54,908	-	54,908
Depreciation	<u>758,337</u>	<u>35,270</u>	<u>301,429</u>	<u>1,095,036</u>
Total operating expenses	<u>3,492,517</u>	<u>1,057,439</u>	<u>1,470,663</u>	<u>6,020,619</u>
Operating income (loss)	<u>249,132</u>	<u>89,164</u>	<u>(545,643)</u>	<u>(207,347)</u>
Non-operating revenue (expenses):				
Investment income	52,157	-	-	52,157
Interest and fiscal charges	(1,610)	(95,621)	-	(97,231)
Special assessments	22,059	-	-	22,059
Loss on sale of assets	<u>(385,667)</u>	<u>-</u>	<u>-</u>	<u>(385,667)</u>
Total non-operating revenues (expenses)	<u>(313,061)</u>	<u>(95,621)</u>	<u>-</u>	<u>(408,682)</u>
Loss before transfers and contributions	(63,929)	(6,457)	(545,643)	(616,029)
Capital contributions	103,132	-	-	103,132
Transfers-in	<u>-</u>	<u>80,000</u>	<u>425,000</u>	<u>505,000</u>
Change in net assets	39,203	73,543	(120,643)	(7,897)
Net assets beginning of year, restated	<u>35,847,100</u>	<u>956,156</u>	<u>9,903,433</u>	<u>46,706,689</u>
Net assets end of year	\$ <u>35,886,303</u>	\$ <u>1,029,699</u>	\$ <u>9,782,790</u>	\$ <u>46,698,792</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, 2007

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Increase (decrease) in cash and cash equivalents:				
Cash flows from operating activities:				
Cash received from customers	\$ 3,690,229	\$ 1,146,603	\$ 906,967	\$ 5,743,799
Cash payments for personal services	(1,663,272)	(508,365)	(856,423)	(3,028,060)
Cash payments for contractual services	(690,490)	(247,913)	(198,778)	(1,137,181)
Cash payments for vendors for supplies and materials	(276,172)	(254,950)	(159,736)	(690,858)
Cash received for other operating activities	87	-	1,394	1,481
Net cash provided by (used in) operating activities	<u>1,060,382</u>	<u>135,375</u>	<u>(306,576)</u>	<u>889,181</u>
Cash flows from capital and related financing activities:				
Principal paid on debt maturities	(10,000)	(100,000)	-	(110,000)
Interest paid on debt	(1,662)	(95,930)	-	(97,592)
Payments for capital acquisitions	<u>(431,224)</u>	<u>(20,253)</u>	<u>(90,739)</u>	<u>(542,216)</u>
Net cash provided by (used in) capital and related financing activities	<u>442,886</u>	<u>(216,183)</u>	<u>(90,739)</u>	<u>(749,808)</u>
Cash flows from noncapital financing activities:				
Transfers in	-	80,000	425,000	505,000
Special assessments	-	-	-	-
Reimbursements received	-	-	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>80,000</u>	<u>425,000</u>	<u>505,000</u>
Cash flows from investing activities:				
Interest received	<u>51,742</u>	<u>-</u>	<u>-</u>	<u>51,742</u>
Net increase (decrease) in cash and cash equivalents	669,238	(808)	27,685	696,115
Cash and cash equivalents, beginning of year	<u>2,146,251</u>	<u>167,437</u>	<u>170,801</u>	<u>2,484,489</u>
Cash and cash equivalents, end of year	\$ <u><u>2,815,489</u></u>	\$ <u><u>166,629</u></u>	\$ <u><u>198,486</u></u>	\$ <u><u>3,180,604</u></u>
Noncash Investing, Capital and Financing Activities:				
Capital contributions	\$ <u>103,132</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>103,132</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, 2007

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ <u>249,132</u>	\$ <u>89,164</u>	\$ <u>(545,643)</u>	\$ <u>(207,347)</u>
Adjustments:				
Depreciation	758,337	35,270	301,429	1,095,036
(Increase) decrease in assets:				
Accounts receivable	(51,333)	-	8,333	(43,000)
Materials and supplies inventory	(449)	-	-	(449)
Increase (decrease) in liabilities:				
Accounts payable	67,742	3,949	(43,871)	27,820
Accrued wages and benefits	6,158	-	-	6,158
Compensated absences payable	29,879	6,992	(1,832)	35,039
Intergovernmental payable	916	-	-	916
Deferred revenue	-	-	(24,992)	(24,992)
Total adjustments:	<u>811,250</u>	<u>46,211</u>	<u>239,067</u>	<u>1,096,528</u>
Net cash provided by (used in) operating activities:	\$ <u>1,060,382</u>	\$ <u>135,375</u>	\$ <u>(306,576)</u>	\$ <u>889,181</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, 2007

	<u>Agency</u>
<u>Assets:</u>	
Cash and cash equivalents	\$ <u>35,295</u>
Total Assets	\$ <u><u>35,295</u></u>
<u>Liabilities:</u>	
Deposits held and due to others	\$ <u>35,295</u>
Total liabilities	\$ <u><u>35,295</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, 2007

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, 2007

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 2007. 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, 2007

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, 2007

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, 2007

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, 2007

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, 2007, but which were levied to finance year 2007 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, 2007

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 2007. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2007.

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, 2007

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, 2007.

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, 2007

Note 2: Summary of Significant Accounting Policies (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, 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, 2007

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 2006 financial statements in order to conform to the 2007 presentation.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2007

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, 2007, 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 2007.

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, 2007

Note 3: Change in Accounting Principle

For fiscal year 2007, the City implemented GASB Statements No. 43, “*Financial Reporting for Postemployment Benefit Plans other than Pension Plans*” and No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”. GASB Statement No. 43 applies for other postemployment benefit (OPEB) trust funds included in the financial reports of plan sponsors or employers and provides requirements for reporting OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or a collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged and sold.

The implementation of GASB Statements No. 43 and No. 48 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	\$ (289,549)
Increase (decrease) due to:	
Revenue accruals	(738,056)
Expenditure accruals	(463,713)
Outstanding encumbrances	<u>118,632</u>
Budget basis	\$ <u>(1,372,686)</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2007

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, 2007

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 \$16,279,610 and the bank balance was \$16,719,914. Of the bank balance, \$700,000 was covered by the Federal depository insurance, and \$16,019,914 was uninsured. Of the remaining bank balance, \$14,822,824 was collateralized with securities held by the pledging institution's agent in the City's name and \$1,197,090 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, 2007, the city had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Federal Home Loan Mortgage Corporation	\$ 2,012,692	1,092
Federal Home Loan Bank	1,000,000	770
STAROhio	<u>1,670,517</u>	<u>N/A</u>
Total Portfolio	\$ <u><u>4,683,209</u></u>	<u><u>1,862</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, 2007

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, 2007:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
STAROhio	35.67%
Federal Home Loan Mortgage Corporation	42.98
Federal Home Loan Bank	21.35

Note 6: Receivables

Receivables at December 31, 2007 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.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2007

Note 6: Receivables (continued)

A. Property Taxes (continued)

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

Tangible personal property used in business (except for public utilities) is currently assessed for *ad valorem* taxation purposes at 25 percent of its true value. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 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, 2007, was \$1.82 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Category	<u>Assessed Value</u>
Real estate	\$ 587,604,830
Public utility	8,948,350
Tangible personal	<u>66,875,185</u>
	\$ <u>663,428,365</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2007

Note 6: Receivables (continued)

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 2007 was \$17,518,088.

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Governmental activities:

Local government and local government revenue assistance	\$	377,034
Estate tax		69,758
CAT tax		9,034
Gasoline and excise tax		262,579
Motor vehicle license fees		21,291
Permissive motor vehicle license tax		<u>3,711</u>
	\$	<u>743,407</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2007

Note 7: Capital Assets

Capital asset activity for government the year ended December 31, 2007, was as follows:

	Balances 12/31/06	Restatement	Restated Balance 12/31/06	Additions	Disposals	Balances 12/31/07
Governmental Activities:						
Capital assets not being depreciated						
Construction in process	\$ 2,816,936	\$ -	\$ 2,816,936	\$ 28,616	\$ (2,804,071)	\$ 41,481
Land	<u>23,204,203</u>	<u>-</u>	<u>23,204,203</u>	<u>92,500</u>	<u>-</u>	<u>23,296,703</u>
Total capital assets not being depreciated	<u>26,021,139</u>	<u>-</u>	<u>26,021,139</u>	<u>121,116</u>	<u>(2,804,071)</u>	<u>23,338,184</u>
Capital assets being depreciated						
Land improvements	2,844,343	-	2,844,343	66,397	-	2,910,740
Buildings	8,588,719	-	8,588,719	1,543,450	-	10,132,169
Machinery and equipment	4,326,444	-	4,326,444	339,051	(45,941)	4,619,554
Vehicles	5,461,297	-	5,461,297	212,070	(366,297)	5,307,070
Infrastructure:						
Roads	43,203,552	6,989,818	50,193,370	555,006	(90,472)	50,657,904
Water mains	29,838,590	-	29,838,590	426,103	-	30,264,693
Storm sewers and culverts	30,987,581	16,473	31,004,054	647,506	(64,243)	31,587,317
Traffic signs and signals	660,963	-	660,963	-	-	660,963
Streetlights	<u>1,532,002</u>	<u>(8,014)</u>	<u>1,523,988</u>	<u>38,130</u>	<u>-</u>	<u>1,562,118</u>
Total capital assets being depreciated	<u>127,443,491</u>	<u>6,998,277</u>	<u>134,441,768</u>	<u>3,827,713</u>	<u>(566,953)</u>	<u>137,702,528</u>
Less accumulated depreciation:						
Land improvements	(845,780)	-	(845,780)	(76,182)	-	(921,962)
Buildings	(2,522,581)	-	(2,522,581)	(183,505)	-	(2,706,086)
Machinery and equipment	(2,212,564)	-	(2,212,564)	(275,687)	33,690	(2,454,561)
Vehicles	(2,556,317)	-	(2,556,317)	(332,308)	206,830	(2,681,795)
Infrastructure:						
Roads	(23,223,687)	6,645,184	(16,578,503)	(1,716,159)	85,949	(18,208,713)
Water mains	(3,908,126)	-	(3,908,126)	(302,582)	-	(4,210,708)
Storm sewers and culverts	(6,149,167)	(1,139)	(6,150,306)	(524,746)	64,243	(6,610,809)
Traffic signs and signals	(357,905)	-	(357,905)	(41,069)	-	(398,974)
Streetlights	<u>(738,701)</u>	<u>8,337</u>	<u>(730,364)</u>	<u>(62,485)</u>	<u>-</u>	<u>(792,849)</u>
Total accumulated depreciation	<u>(42,514,828)</u>	<u>6,652,382</u>	<u>(35,862,446)</u>	<u>(3,514,723)</u>	<u>390,712</u>	<u>(38,986,457)</u>
Net capital assets being depreciated	<u>84,928,663</u>	<u>13,650,659</u>	<u>98,579,322</u>	<u>312,990</u>	<u>(176,241)</u>	<u>98,716,071</u>
Governmental activities capital assets, net	\$ <u>110,949,802</u>	\$ <u>13,650,659</u>	\$ <u>124,600,461</u>	\$ <u>434,106</u>	\$ <u>(2,980,312)</u>	\$ <u>122,054,255</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2007

Note 7: Capital Assets (continued)

	Balance 12/31/06	Adjustments	Restated Balance 12/31/06	Additions	Disposals	Balance 12/31/07
Business-Type Activities:						
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	9,960	-	147,132
Buildings and improvements	23,848,024	-	23,848,024	42,354	-	23,890,378
Machinery and equipment	2,310,773	-	2,310,773	104,648	-	2,415,421
Vehicles	659,047	-	659,047	-	-	659,047
Infrastructure:						
Sewer lines	29,172,711	-	29,172,711	488,386	(450,972)	29,210,125
Total capital assets being depreciated	56,127,727	-	56,127,727	645,348	(450,972)	56,322,103
Less: accumulated depreciation	(12,543,255)	-	(12,543,255)	(1,095,036)	65,305	(13,572,986)
Net capital assets being depreciated	43,584,472	-	43,584,472	(449,688)	(385,667)	42,749,117
Total business-type activities capital assets, net	\$ 46,265,622	\$ -	\$ 46,265,622	\$ (449,688)	\$ (385,667)	\$ 45,430,267

Depreciation expense was charged to governmental activities as follows:

Community development	\$ 15,298
General government	85,002
Leisure time activities	203,030
Security of persons and property	385,045
Transportation	2,826,348
Total depreciation expense	\$ 3,514,723

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, 2007

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, 2007 was as follows:

	Restated Balance <u>12/31/06</u>	Issued (Retired) <u></u>	Balance <u>12/31/07</u>	Due in One Year <u></u>
Governmental Activities:				
General obligation bonds:				
Park land and conservation, due through 2021	\$ 8,450,000	\$ (294,840)	\$ 8,155,160	\$ 275,160
Senior citizens center, due through 2021	2,020,003	(100,000)	1,920,003	105,000
Darrow Road improvement, due through 2022	<u>2,640,000</u>	<u>(125,000)</u>	<u>2,515,000</u>	<u>125,000</u>
Total general obligation bonds	<u>13,110,003</u>	<u>(519,840)</u>	<u>12,590,163</u>	<u>505,160</u>
Special assessment bonds:				
Liberty/Cannon/Case/Darrow due through 2023	255,000	(15,000)	240,000	15,000
Creekside/Glenwood improvement, due through 2013	70,000	(10,000)	60,000	10,000
Darrow/Chamberlin, due through 2015	27,000	(3,000)	24,000	3,000
Chamberlin Waterline Due through 2025, restated	<u>59,000</u>	<u>(3,000)</u>	<u>56,000</u>	<u>3,000</u>
Total special assessment bonds	<u>411,000</u>	<u>(31,000)</u>	<u>380,000</u>	<u>31,000</u>
ODOT loan payable	1,720,405	191,910	1,709,374	245,022
		(202,942)	1,790,620	663,135
Accrued compensated absences	<u>1,716,433</u>	<u>74,187</u>	<u>1,790,620</u>	<u>663,135</u>
Total governmental activities, restated	\$ <u>16,957,841</u>	\$ <u>(487,685)</u>	\$ <u>16,470,157</u>	\$ <u>1,444,317</u>
Business-Type Activities:				
General obligation bonds:				
Golf course refunding bonds	\$ <u>2,065,003</u>	\$ <u>(100,000)</u>	\$ <u>1,965,003</u>	\$ <u>105,000</u>
Special assessment bonds:				
Cannon/Case North/Darrow Water improvement, due through 2011	<u>50,000</u>	<u>(10,000)</u>	<u>40,000</u>	<u>10,000</u>
Accrued compensated absences	<u>322,658</u>	<u>35,039</u>	<u>357,697</u>	<u>112,304</u>
Total business-type activities,	\$ <u>2,437,661</u>	\$ <u>74,961</u>	\$ <u>2,362,700</u>	\$ <u>227,304</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2007

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, 2007 were as follows:

Year	General Obligation Bonds		Special Assessment Bonds		Total
	Principal	Interest	Principal	Interest	
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	865,000	592,970	41,000	14,823	1,513,793
2012	900,000	557,040	28,000	10,645	1,495,685
2013-2017	5,175,000	2,134,843	109,000	50,428	7,469,271
2018-2022	5,365,000	707,650	90,000	24,865	6,187,521
2023	-	-	29,000	4,153	33,153
	\$ <u>14,555,166</u>	\$ <u>6,129,241</u>	\$ <u>420,000</u>	\$ <u>161,823</u>	\$ <u>21,266,230</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, 2007

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, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salary to fund pension obligations. The City contributed 13.85 percent of covered payroll, of which 5.0 to 6.0 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, 2007, 2006, and 2005 were \$674,848, \$633,722, and \$589,253, respectively, equal to the required contributions for each year. The full amount has been contributed for all 2006 and 2005. 100 percent has been contributed for 2007. Contributions to the member-directed plan for 2007 were \$2,477 made by the City of Twinsburg and \$1,699 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, 2007

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 \$482,690 and \$504,839 for the year ended December 31, 2007, \$436,366 and \$499,184 for the year ended December 31, 2006, and \$423,486 and \$485,856 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 75 percent for police and 79 percent for firefighters has been contributed for 2007 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 2007, state employers contributed at a rate of 13.77% of covered payroll, local government employer units contributed at 13.85% of covered payroll, and public safety and law enforcement employer units contributed at 17.17%. The portion of employer contributions for all employers allocated to health care was 5 percent from January 1 through June 30, 2007 and 6 percent from July 1 through December 31, 2007.

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, 2006, 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 5.00 percent for the next eight years. In subsequent years (9 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, 2007

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, not to exceed a 12 percent corridor.

At December 31, 2007, the number of active contributing participants in the Traditional and Combined Plans totaled 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. The City's actual contributions for 2007, which were used to fund postemployment benefits, were \$390,690. OPERS' net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarially accrued liability for OPEB were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. Member and employer contribution rates increased as of 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, 2007

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, 2006, the date of the last actuarial valuation available, was 14,120 for police and 10,563 for firefighters. The City's actual contributions for 2007 that were used to fund post-employment benefits were \$162,951 for police and \$145,344 for firefighters. OP&F's total health care expenses for the year ending December 31, 2006, the date of the last actuarial valuation available, was \$120,373,722, which was net of member contributions of \$58,532,848.

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, 2007, consisted of the following:

<u>Transfer to</u>	<u>Transfer From</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvement</u>	
Non major governmental funds	\$ 610,000	\$ 680,963	\$ 1,290,963
Golf course fund	80,000	-	80,000
Fitness Center fund	<u>425,000</u>	<u>-</u>	<u>425,000</u>
	\$ <u>1,115,000</u>	\$ <u>680,963</u>	\$ <u>1,795,963</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2007

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>
Net assets, December 31, 2006	\$ 117,488,226
Restatement of capital assets	<u>13,650,659</u>
Fund balance, December 31, 2006, restated	\$ <u>131,138,885</u>

The December 31, 2006 governmental activities have been restated due to adjustments made to a change in an accounting estimate of the capital assets lives and an error in capital assets being removed from the capital asset schedule in previous years. The Management's Discussion and Analysis 2006 Net Asset schedule has been adjusted for both adjustments. However, the 2006 Statement of Activities schedule has not been restated for the capital asset adjustment due to the changes not affecting the 2006 activity.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2007

Note 16: Accountability and Compliance

A. *Accountability*

The following funds had deficit fund balances at December 31, 2007:

Police Pension	\$ 52,090
Fire Pension	106,772

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

B. *Compliance*

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

Estimated	Original Resources Plus Carryover Balances	Appropriations Plus Prior Year Encumbrances	Excess
<i>Special Revenue Funds:</i>			
Community Development	\$ 5,000	\$ 10,000	\$ 5,000
Fire Pension	502,584	553,490	50,906
	Estimated Resources Plus Carryover Balances	Final Appropriations Plus Prior Year Encumbrances	Excess
<i>Special Revenue Funds:</i>			
Community Development	\$ -	\$ 10,000	\$ 10,000
Fire Pension	502,584	553,490	50,906

**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***

Honorable Mayor and
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, 2007, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 30, 2008, wherein we noted the City of Twinsburg adopted *Governmental Accounting Standards Board Statement Nos. 43 and 48*. 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.

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

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. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2007-1.

Honorable Mayor and
Members of City Council
Twinsburg, Ohio

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. However, of the significant deficiencies described above, we consider items 2007-1 to be a material weakness.

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 have reported to management of the City in a separate letter dated June 30, 2008.

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

This report is intended solely for the information and use of management, the finance committee, City Council, Auditor of States' office, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 30, 2008

**Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

Honorable Mayor and
Members of City Council
Twinsburg, Ohio

Compliance

We have audited the compliance of the City of Twinsburg, Ohio (the “City”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City of Twinsburg complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Honorable Mayor and
Members of City Council
Twinsburg, Ohio

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in the City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2007, and have issued our report thereon dated June 30, 2008, wherein we noted the City of Twinsburg adopted *Governmental Accounting Standards Board Statement Nos. 43 and 48*. Our audit was performed for the purpose of forming our opinions on the basic financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, City Council, finance committee, Auditor of State's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Parichi, Inc.

Cleveland, Ohio
June 30, 2008

City of Twinsburg, Ohio

Schedule of Expenditures of Federal Awards

For The Year Ended December 31, 2007

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Awarding Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation Passed-through Ohio Department of Transportation Highway Planning and Construction	20.205	20340	\$ 1,511,763
U.S. Department of Homeland Security Passed-through Ohio Department of Public Safety: Assistance to Firefighters	97.044	EMW-2005-FG-19079	<u>112,064</u>
Total Federal Awards Expenditures			\$ <u>1,623,827</u>

The accompanying notes are an integral part of this schedule.

City of Twinsburg, Ohio

Notes to The Schedule of Expenditures of Federal Awards

For The Year Ended December 31, 2007

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Twinsburg, Ohio and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of Twinsburg, Ohio

Schedule of Findings OMB Circular A-133, Section .505

December 31, 2007

1. Summary of Auditors' Results

(d)(I)(I)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(I)(ii)	Were there any other material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
(d)(I)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Programs	Highway Planning and Construction Grant, CFDA # 20.205
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	No

2. Findings Related To The Financial Statements Required To Be Reported In Accordance With GAGAS

2007-1 – Material Weakness

Sound financial reporting is the responsibility of the City Finance Director and the City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The following audit adjustments were made to the financial statements:

1. Restatement of Net Assets at December 31, 2006 for prior year understatement of infrastructure capital assets.

The lack of controls over financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.

City of Twinsburg, Ohio

Schedule of Findings OMB Circular A-133, Section .505

December 31, 2007

We recommend the City adopts policies and procedures for controls over year-end financial reporting to help ensure the information accurately reflects the activity of the City thereby increasing the reliability of the financial data at year-end. Although the City has contracted a third party to perform their GAAP Conversion, the City's management needs to review the statements to be sure that all items are being properly recorded.

3. Findings for Federal Awards

None.

City of Twinsburg, Ohio

**Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)**

December 31, 2007

No prior audit findings noted.

City of Twinsburg

**10075 Ravenna Road
Twinsburg, Ohio 44087-1718
(330) 425-7161**

**Response to Findings Associated With Audit Conducted
In Accordance With *Government Auditing Standards***

December 31, 2007

Finding Number	District Response	Anticipated Completion Date	Responsible Contact Person
2007-1	The District will create written policies and procedures relating to the financial reporting process.	December 31, 2008	Michelle Bowens, Finance Director



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
AUGUST 28, 2008**