



Dave Yost • Auditor of State



**CITY OF TWINSBURG  
SUMMIT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Honorable Mayor and Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twinsburg, Summit County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, Summit County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Fire Pension Fund and Police Pension Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the City's basic financial statements taken as a whole. The Federal Awards Expenditures Schedule present additional analysis and is not a required part of the basic financial statements.

The Federal Awards Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 23, 2013

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**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2012*

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The discussion and analysis of the City of Twinsburg's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2012. 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 2012 are as follows:

- ◆ The assets of the City of Twinsburg exceeded its liabilities at the close of the most recent fiscal year by \$187,090,528. Of this amount, \$26,872,354 may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets increased by \$5,744,144, which represents an increase of 2.86 percent over 2011. The primary change that contributed to this increase was the increase in cash and cash equivalents of \$4,673,931.
- ◆ Total liabilities decreased by \$477,726, which represents a decrease of 2.37 percent over 2011. The main factor that contributed to this decrease was the decrease of \$611,759 in long term liabilities.
- ◆ In total, net position increased by \$6,221,870 during 2012. This represents a 3.44 percent increase from 2011.

**Using this Annual Financial Report**

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

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

*Statement of Net Position and the Statement of Activities*

The Statement of Net Position presents information on all the City of Twinsburg's assets and liabilities, with the difference between the two reported as *net position*. Over time, increase or decrease in net position 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.

The Statement of Activities presents information showing how the City's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Both the Statement of Net Position and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2012*

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In the Statement of Net Position 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, fitness center, and community theater 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 Position and the Statement of Activities) and governmental funds.

The City of Twinsburg maintains 25 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, Fire Pension fund, Police Pension fund, Park Debt Service fund, and the Capital Improvement fund, all of which are considered to be major funds. The remaining funds are combined and presented within the column titled Other Governmental Funds.

*Proprietary Funds*

The City of Twinsburg maintains enterprise funds that are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer operations, fitness center, community theater 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 28 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 32 of this report.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
For the Fiscal Year Ended December 31, 2012

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

As noted earlier, the Statement of Net Position 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 Position and the Statement of Activities are divided into the following categories:

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

Table 1 provides a summary of the City's net position for 2012 as compared to 2011.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current and other Assets	\$ 35,742,232	\$ 30,973,530	\$ 3,716,442	\$ 4,223,490	\$ 39,458,674	\$ 35,197,020
Capital assets, net	<u>121,803,476</u>	<u>121,860,997</u>	<u>45,468,626</u>	<u>43,928,615</u>	<u>167,272,102</u>	<u>165,789,612</u>
Total assets	<u>157,545,708</u>	<u>152,834,527</u>	<u>49,185,068</u>	<u>48,152,105</u>	<u>206,730,776</u>	<u>200,986,632</u>
<b>Liabilities:</b>						
Current and other Liabilities	3,018,393	2,919,529	406,268	371,099	3,424,661	3,290,628
<b>Long-term liabilities:</b>						
Due within one year	1,964,277	1,977,957	110,719	106,784	2,074,996	2,084,741
Due in more than one year	<u>13,791,677</u>	<u>14,512,514</u>	<u>348,914</u>	<u>230,091</u>	<u>14,140,591</u>	<u>14,742,605</u>
Total liabilities	<u>18,774,347</u>	<u>19,410,000</u>	<u>865,901</u>	<u>707,974</u>	<u>19,640,248</u>	<u>20,117,974</u>
<b>Net position:</b>						
Net investment in capital assets	107,775,665	106,963,648	45,362,111	43,919,484	153,137,776	150,883,132
<b>Restricted for:</b>						
Unclaimed monies	2,093	11,516	-	-	2,093	11,516
Capital projects	4,397,575	5,468,481	-	-	4,397,575	5,468,481
Debt service	33,164	46,863	-	-	33,164	46,863
Other purposes	2,647,566	3,113,598	-	-	2,647,566	3,113,598
Unrestricted	<u>23,915,298</u>	<u>17,820,421</u>	<u>2,957,056</u>	<u>3,524,647</u>	<u>26,872,354</u>	<u>21,345,068</u>
Total net position	<u>\$ 138,771,361</u>	<u>\$ 133,424,527</u>	<u>\$ 48,319,167</u>	<u>\$ 47,444,131</u>	<u>\$ 187,090,528</u>	<u>\$ 180,868,658</u>

The largest portion (81.85 percent) of the City's net position reflects its net investment in capital assets. Capital assets include construction in progress, land, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. The City uses those capital assets to provide services to its citizens; consequently, they are not available for future spending. Net investment in capital assets as of December 31, 2012, was \$153,137,776. Although the City's investment is reported net of related debt, it should be noted that resources to repay the debt must be provided from other sources since capital assets may not be used to liquidate these liabilities.

An additional portion of the City's net position (3.78 percent) represents resources that have been restricted on how they may be used. The remaining balance of unrestricted net position \$26,872,354 may be used to meet the government's ongoing obligations to citizens and creditors.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
For the Fiscal Year Ended December 31, 2012

Total net position of the City increased \$6,221,870. The following factors were responsible for this increase:

- An increase in cash and cash equivalents of \$4,673,931.
- An increase in capital assets, net of \$1,482,490.
- A decrease in taxes receivable of \$328,809.
- A decrease in accounts payable of \$190,641.
- A decrease in long-term debt of \$611,759.

The net position of our business-type activities increased by 1.84 percent in 2012. The City generally can only use the net position to finance the continuing operations of the sewer system, golf course, fitness center, and community theater operations.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year in comparison to 2011.

Table 2  
Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for Services	\$ 2,950,335	\$ 2,642,278	\$ 5,009,101	\$ 4,936,536	\$ 7,959,436	\$ 7,746,356
Operating Grants	72,337	109,477	-	-	72,337	109,477
Capital Grants	2,981,575	819,384	274,960	-	3,256,535	819,384
Total Program Revenue	6,004,247	3,571,139	5,284,061	4,936,536	11,288,308	8,675,217
General Revenues:						
Property Taxes	1,253,802	1,330,710	-	-	1,253,802	1,330,710
Income Taxes	22,852,493	20,305,224	-	-	22,852,493	20,305,224
Grants and Entitlements (Not Restricted to Specific Purposes)	1,621,453	1,885,145	-	-	1,621,453	1,885,145
Investment Earnings	16,304	49,544	-	362	16,304	49,906
Miscellaneous	39,132	25,416	-	-	39,132	25,416
Transfers	-	-	1,082,805	2,019,171	1,082,805	2,019,171
Total General Revenues	25,783,184	23,596,039	1,082,805	2,019,533	26,865,989	25,615,572
Total Revenues	31,787,431	27,167,178	6,366,866	6,956,069	38,154,297	34,123,247
Program Expenses:						
General Government	4,446,875	4,505,303	-	-	4,446,875	4,505,303
Security of Persons and Property	8,261,111	7,837,083	-	-	8,261,111	7,837,083
Transportation	8,271,282	5,217,894	-	-	8,271,282	5,217,894
Leisure Time Activities	1,571,366	1,526,585	-	-	1,571,366	1,526,585
Community Development	2,269,353	4,265,753	-	-	2,269,353	4,265,753
Basic Utility Services	62,463	15,815	-	-	62,463	15,815
Interest and Fiscal Charges	475,342	779,923	-	-	475,342	779,923
Sewer	-	-	3,049,169	3,324,356	3,049,169	3,324,356
Fitness Center	-	-	1,480,899	1,285,571	1,480,899	1,285,571
Other business-type activities	-	-	961,762	1,036,945	961,762	1,036,945
Transfers	1,082,805	2,019,171	-	-	1,082,805	2,019,171
Total Program Expenses	26,440,597	26,167,527	5,491,830	5,646,872	31,932,427	31,814,399
Change in Net Position	\$ 5,346,834	\$ 999,651	\$ 875,036	\$ 1,309,197	\$ 6,221,870	\$ 2,308,848

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2012*

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*Governmental Activities*

Several revenue sources fund our governmental activities with the City income tax being the largest contributor. The City's income tax rate increased January 2010 from 2.00 percent to 2.25 percent. Residents of the City who work in another municipality and pay the withholding tax for that municipality will receive a 100 percent tax credit on up to 2.25 percent for municipal income taxes paid to their workplace municipality. During 2012, the revenues generated from income tax collections amounted to \$22,852,493. The City continues to enforce a delinquent letter program and the subpoena program to ensure compliance with the local tax laws.

Security of Persons and Property, Transportation and General Government are the major activities of the City generating 79% percent of the governmental expenses. Security of Persons and Property includes the cost of providing police, dispatch, fire and paramedic services. The fire department consists of 32 full-time and 9 part-time fire fighters. Training plays a crucial role in the day-to-day operation of the fire department. Techniques such as driving rodeos, continuing education classes, practice drills and watching training videos help keep the men and women updated to perform their jobs most efficiently. There were 2,204 calls for assistance of which approximately 1,772 were for EMS and 432 for fire and fire related incidents. The total cost of operating the Fire and EMS department during 2012 was \$2,841,001 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 \$415,345 in revenue. The police department consists of 33 full-time sworn officers, 2 sworn part-time officers/jailers and a civilian support staff of 16 employees in the police department. During 2012, the department still continues to place strong emphasis on the training of its employees in order to keep up with the rapidly changing laws, practices and technology.

Transportation expense includes the cost of providing all public works services such as street and storm channel maintenance and improvements, snow removal, and equipment maintenance. The increase in Transportation expense of \$3,053,388 from 2011 is attributed mostly to the increase in depreciation expense on the City's infrastructure assets due to the completion of Edgewood, Haverhill and Croyden road improvements during 2012.

*Business-Type Activities*

The Business-Type activities of the City, which include the City's sewer, golf course, community theater and fitness center operations, increased the City's net position by \$875,036.

Net program revenues exceeded net program expenses in the amount of \$141,378 for the sewer operations for 2012.

Net program expenses exceeded net program revenue in the amount of \$380,434 for the fitness center operations for 2012.

Net program revenues exceeded program expenses in the amount of \$31,287 for the other business-type activity operations for 2012.

**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 \$32,331,208 and expenditures and other financing uses of \$27,572,187.

The net change in fund balance for the year was most significant in the General Fund showing an increase in fund balance of \$6,252,867 in 2012 which increases the beginning fund balance of \$18,866,914 to \$25,119,781. The Capital Improvement Capital Projects Fund reflected a decrease of \$1,147,281. Overall the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2012*

*General Fund Budgeting Highlights*

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

For the General Fund, final budget basis revenue, including other financing sources was \$4,165,497 higher than the original budget estimates of \$22,579,139. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenue areas. The final appropriations, including other financing uses of \$21,864,952 were sufficient to meet the expenditures and other financing uses for the year, which ended up at \$20,340,978.

The City's ending unobligated budgetary fund balance was \$1,796,779 higher than the final budgeted amount.

*Business-Type Funds*

The City's major Enterprise funds consist of the Sewer Fund and 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 and Fitness Center. The basic proprietary fund financial statements can be found on pages 28 through 31 of this report.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2012, the City of Twinsburg had \$167,272,102 invested in land, buildings, vehicles, equipment and infrastructure.

Table 3 shows fiscal 2012 balances of Capital Assets as compared to the 2011 balances:

Table 3  
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Construction in process	\$ 1,776,418	\$ 4,221,687	\$ 1,505,993	\$ 936,538	\$ 3,282,411	\$ 5,158,225
Land and land improvements	25,934,053	25,934,053	2,843,237	2,843,237	28,777,290	28,777,290
Buildings	10,202,122	10,202,122	24,036,566	23,919,188	34,238,688	34,121,310
Machinery and equipment	5,195,800	4,874,380	3,930,620	2,691,617	9,126,420	7,565,997
Vehicles	6,194,433	6,143,966	603,915	714,355	6,798,348	6,858,321
Infrastructure:						
Roads	56,208,031	53,706,185	-	-	56,208,031	53,706,185
Water mains	32,520,624	31,643,237	-	-	32,520,624	31,643,237
Storm sewers and culverts	34,274,760	33,493,094	-	-	34,274,760	33,493,094
Traffic signs and signals	1,365,339	1,207,331	-	-	1,365,339	1,207,331
Street lights	1,627,623	1,595,278	-	-	1,627,623	1,595,278
Sanitary sewer lines	-	-	31,086,958	30,419,924	31,086,958	30,419,924
Less: Accumulated Depreciation	(53,495,727)	(51,160,336)	(18,538,663)	(17,596,244)	(72,034,390)	(68,756,580)
Total capital assets	\$ <u>121,803,476</u>	\$ <u>121,860,997</u>	\$ <u>45,468,626</u>	\$ <u>43,928,615</u>	\$ <u>167,272,102</u>	\$ <u>165,789,612</u>

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2012*

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 online.

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. Additional information concerning the City's capital assets can be found in the notes to the financial statements.

**Debt**

At December 31, 2012, the City of Twinsburg had \$16,215,587 in outstanding debt and compensated absences, of which \$10,573,725 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Obligation Bonds	\$ 10,573,725	\$ 11,623,452	\$ -	\$ -	\$ 10,573,725	\$ 11,623,452
Special Assessment Bonds	225,000	256,000	-	-	225,000	256,000
ODOT Loan Payable	535,000	795,000	-	-	535,000	795,000
Energy Equipment Loan Payable	533,965	656,964	-	-	533,965	656,964
OPWC Loan Payable	2,160,122	1,511,029	83,649	-	2,243,771	1,511,029
Capital Lease Payable	-	54,904	22,866	9,131	22,866	64,035
Compensated Absences	<u>1,728,142</u>	<u>1,593,122</u>	<u>353,118</u>	<u>327,744</u>	<u>2,081,260</u>	<u>1,920,866</u>
Total	\$ <u>15,755,954</u>	\$ <u>16,490,471</u>	\$ <u>459,633</u>	\$ <u>336,875</u>	\$ <u>16,215,587</u>	\$ <u>16,827,346</u>

General obligation bonds are composed of park land and conservation, senior citizens center, and road improvements. The special assessment bonds consist of the taxpayer portion of water, sewer, and road improvements. The ODOT loan is composed of road improvements. The Energy Equipment Loan is composed of equipment purchased for energy conservation. The OPWC loans are composed of road improvements.

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

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2012*

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**2012 Economic Development Year in Review**

The City of Twinsburg has entered a new phase in its history. In 2010, Twinsburg entered the post-Chrysler period. From this time forward, the City would no longer be characterized as an automotive industry town. The second half of 2010 was marked by shock and adjustment. After the shock faded, the City began this new phase of its history by focusing on adjustment and recovery. While not yet there, the City has made significant progress. This last year has contributed greatly to the City's recovery and re-positioning as a solvent, diverse employment center that remains capable of providing a high level of service to its residents.

Area residents and businesses are also adjusting to this post-Chrysler reality. Many are surprised that the impacts have not been as noticeable as they anticipated, but all seem amazed at the actual size of the former Chrysler site; now that they can see the extent of the land on which the buildings were located. The new reality is that this 167-acre site represents opportunity and hope for the City's continued vitality.

Land made available by redevelopment of the former Chrysler Stamping Plant as Cornerstone Business Park made it possible for a local company to expand its operations while remaining here in Twinsburg. VISTAR, a Performance Food Group company, recently occupied a new 137,000 square foot distribution facility, constructed on the west side (Chamberlin Road side) of the business park.

A new roadway segment, entering Cornerstone Business Park from Chamberlin Road, was constructed this fall with assistance provided by grants for \$150,000 from the State of Ohio Section 629 Roadway Improvement Grant and Rapid Outreach Grant. This segment, named Cornerstone Boulevard, provides access to VISTAR's new facility and adjacent properties. While several additional lots are available in Cornerstone Business Park, the majority of land requires infrastructure improvements which will commence after the remaining Chrysler building and foundations are removed.

The City was fortunate to have successfully competed for additional grant funds under two State of Ohio programs; the Clean Ohio Revitalization Fund (CORF) and the Job Ready Sites (JRS) Program. The CORF application was funded at the maximum available amount of \$3 million. This money will be matched with the developer's money to eliminate environmental contamination on the site related to asbestos, PCB's, oils and volatile organic compounds, and to remove concrete foundations. JRS grant money will be matched with developer's funds to construct additional roadways, utilities, storm water facilities, and to mitigate on-site wetlands. This grant support will help jumpstart the creation of a full-service industrial park.

While the new Cornerstone Business Park has been a focus area for the City, we remain dedicated to supporting businesses in all areas of the City. Several Twinsburg businesses have expanded facilities in order to grow their local employment base. Among those expanding facilities over the last year are the following:

- VISTAR (Performance Food Group) - 2445 Chamberlin Road
- G & D Cardtech - 2020 Enterprise Parkway
- BICA – 2681 Creekside Drive
- Assuramed - 1939 Case Parkway South
- Integrative Chiropractic Clinic - 2676 E. Aurora Road
- Great Lakes Fasteners - 2057 Case Parkway
- Lauden Properties – 2057 Case Parkway
- Rx Options – 2181 E. Aurora Road
- Burger King – 2532 E. Aurora Road
- Certech (Morgan Technical Ceramics) – 2181 Pinnacle Parkway
- Kent State University - 2745 Creekside Boulevard

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2012*

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Several companies, new to Twinsburg, have received occupancy permits for the first time. They include:

- Lianda Corporation – 8285 Darrow Road
- Print Management Partners – 2265 Enterprise Parkway
- Go2 Marketing – 2265 Enterprise Parkway
- Spice Thai Cuisine – 8870 Darrow Road, Suite 104
- Clico Products Inc. – 1864 Enterprise Parkway
- Semtorq, Inc. – 1953 Case Parkway
- Crown Composites Tooling, LLC – 2003 Case Parkway
- FD Johnson – 1933 Case Parkway, North
- Cleveland Metal Exchange – 1900 Case Parkway
- Peak Potential Therapy – 8848 Commons Blvd., Suite 101
- Switch Cars Inc. – 2095 Midway Drive
- North East Ohio Supply, LLC – 2146 Enterprise, Unit E
- Front Line Communications – 9347 Ravenna Road, Unit C
- Panera Bread – 8928 Darrow Road
- Tobacco World
- Adena Estate Jewelers
- Northeast Ohio Supply
- Megally Enterprises
- Just Like Familee
- Goodwill Industries
- Boardman Medical Supplies
- Center for Molecular Cancer Diagnostics
- Feathers by Angel
- Fitzz All
- Flexalloy
- Frozen Oasis
- Game On
- Sassy's Bar and Grille

In addition to supporting local business, the economic development staff actively searches for opportunities to compete for grant and loan funds for community development. As a result of a grant provided by NOPEC, the City has been able to continue its energy efficiency and conservation efforts envisioned in the Mayor's Green Initiative. This grant enabled the City to replace windows and doors with energy efficient equipment at the City Administration Center, Police Department and Fire Department. The improvements will add to those already achieved by similar energy efficiency measures implemented at the City's outdoor pool, Fitness Center, Waste Water Plant, Service Department and elsewhere.

After more than a decade of cooperative efforts, the City's support of Kent State University and its local presence has come to fruition. For many years Kent State University occupied Twinsburg's "Old School", located adjacent to the square, through a lease agreement with the City. As enrollments increased, the need for a larger permanent home was needed. This need was filled by the construction of the Kent State Twinsburg Academic Center on Creekside Drive that opened its doors on September 28th. This LEAD Certified building is state-of-the-art in many ways. We congratulate Kent State University on this tremendous achievement that will provide area residents educational and cultural benefits for years to come.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2012*

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Finally, the Department of Community Planning and Development is responsible for short-term planning and long-range planning for the City. The Administration, City Boards and Commissions and Council have been relying on our Comprehensive Plan to provide administrative and policy guidance as the City continues to develop. The current Comprehensive Plan was adopted in 2007. It is the City's general policy that the Plan should be updated every five years. As a result, the effort to update the Comprehensive Plan was started in the fall. A Comprehensive Plan Steering Committee, composed of members of City government, community organizations and residents, was established to provide guidance and critical reviews of update efforts. The first meeting of this group occurred in November and further meetings will occur over the next year as the plan is developed. The current plan will benefit from a regional economic analysis and "Recovery Action Plan" which was funded by the Economic Development Administration in 2010 and 2011.

In summary, 2012 has been a year of progress. However, much work continues to need to be done. This year we will be focusing efforts on stimulating development and redevelopment of properties in central Twinsburg around the Square. The City is benefitting from a grant of technical assistance from US EPA's Project for Public Places which will provide training and application of design standards for walkable urban thoroughfares. We will be working with area property owners and developers to encourage and support area investment. These short-term and long-term planning efforts will set the stage for additional progress. We will continue our efforts to be prepared to meet the opportunities that will certainly arise in the coming year.

**Current Related Financial Activities**

The City of Twinsburg, in the past, faced some challenging financial years due to the economic downturn and the loss of a major manufacturing company that contributed over 2 million dollars to the City's operations. However, since a vast number of residents voted to increase the City's income tax rate from 2 percent to 2.25 effective as of January 2010, the City managed to overcome most of these financial challenges. The City's motto, "operate lean without compromising services", reflected a positive outcome in 2012. The City operated under budget and was awarded several grants to help support energy conservation and capital projects. As a result, the City was able to increase the General Fund fund balance to a comfortable cash position for the future.

The City of Twinsburg's system of budgeting and internal controls is well regarded. Due to said controls, the Ohio State Auditor, David Yost awarded the City of Twinsburg for exemplary Financial Reporting for the audit year 2010 in 2011. As a continued effort to stay above the economic challenges—the Administration and Council meet frequently to discuss current operating conditions, the economy and community development. The City will continue to be proactive by strategizing to maintain solvency not just for today, but the future.

**Contacting the City of Twinsburg's Finance Department**

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

# City of Twinsburg, Ohio

## Statement of Net Position

**December 31, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 29,272,480	\$ 2,952,958	\$ 32,225,438
Restricted cash	2,094	-	2,094
Materials and supplies inventory	210,536	121,742	332,278
Accrued interest receivable	967	-	967
Accounts receivable	67,508	543,015	610,523
Intergovernmental receivable	679,675	83,649	763,324
Income taxes receivable	4,168,320	-	4,168,320
Special assessments receivable	387	15,078	15,465
Property taxes receivable	1,232,754	-	1,232,754
Unamortized bond issuance costs	107,511	-	107,511
Nondepreciable capital assets	24,723,121	4,187,143	28,910,264
Depreciable capital assets, net	<u>97,080,355</u>	<u>41,281,483</u>	<u>138,361,838</u>
Total assets	<u>157,545,708</u>	<u>49,185,068</u>	<u>206,730,776</u>
<b>Liabilities:</b>			
Accounts payable	348,318	40,990	389,308
Accrued wages and benefits	492,989	92,809	585,798
Intergovernmental payable	889,275	77,135	966,410
Claims payable	111,990	36,979	148,969
Deferred revenue	1,131,149	157,601	1,288,750
Accrued interest payable	44,672	754	45,426
<b>Long-term liabilities:</b>			
Due within one year	1,964,277	110,719	2,074,996
Due in more than one year	<u>13,791,677</u>	<u>348,914</u>	<u>14,140,591</u>
Total liabilities	<u>18,774,347</u>	<u>865,901</u>	<u>19,640,248</u>
<b>Net position:</b>			
Net investment in capital assets	107,775,665	45,362,111	153,137,776
<b>Restricted for:</b>			
Unclaimed monies	2,093	-	2,093
Capital projects	4,397,575	-	4,397,575
Debt service	33,164	-	33,164
Other purposes	2,647,566	-	2,647,566
Unrestricted	<u>23,915,298</u>	<u>2,957,056</u>	<u>26,872,354</u>
Total net position	<u>\$ 138,771,361</u>	<u>\$ 48,319,167</u>	<u>\$ 187,090,528</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, 2012

	<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	\$ 4,446,875	\$ 1,306,430	\$ -	\$ 16,350
Security of persons and property	8,261,111	536,280	72,337	-
Transportation	8,271,282	142,558	-	2,005,840
Leisure time activities	1,571,366	546,745	-	222,491
Community development	2,269,353	418,322	-	736,894
Basic utility service	62,463	-	-	-
Interest and fiscal charges	475,342	-	-	-
Total governmental activities	<u>25,357,792</u>	<u>2,950,335</u>	<u>72,337</u>	<u>2,981,575</u>
Business-type activities:				
Sewer	3,049,169	2,915,587	-	274,960
Fitness center	1,480,899	1,100,465	-	-
Other business-type activities	<u>961,762</u>	<u>993,049</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>5,491,830</u>	<u>5,009,101</u>	<u>-</u>	<u>274,960</u>
Total	\$ <u>30,849,622</u>	\$ <u>7,959,436</u>	\$ <u>72,337</u>	\$ <u>3,256,535</u>

General revenues:  
 Property and other local taxes levied for:  
   General purposes  
   Debt service  
 Municipal income taxes levied for:  
   General purposes  
 Grants and entitlements not restricted to  
 specific programs  
 Investment income  
 Miscellaneous  
 Transfers

Total general revenues and transfers

Change in net position

Net position beginning of year

Net position end of year

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,124,095)	\$ -	\$ (3,124,095)
(7,652,494)	-	(7,652,494)
(6,122,884)	-	(6,122,884)
(802,130)	-	(802,130)
(1,114,137)	-	(1,114,137)
(62,463)	-	(62,463)
(475,342)	-	(475,342)
<u>(19,353,545)</u>	<u>-</u>	<u>(19,353,545)</u>
-	141,378	141,378
-	(380,434)	(380,434)
-	31,287	31,287
-	<u>(207,769)</u>	<u>(207,769)</u>
<u>(19,353,545)</u>	<u>(207,769)</u>	<u>(19,561,314)</u>
496,732	-	496,732
757,070	-	757,070
22,852,493	-	22,852,493
1,621,453	-	1,621,453
16,304	-	16,304
39,132	-	39,132
<u>(1,082,805)</u>	<u>1,082,805</u>	<u>-</u>
<u>24,700,379</u>	<u>1,082,805</u>	<u>25,783,184</u>
5,346,834	875,036	6,221,870
<u>133,424,527</u>	<u>47,444,131</u>	<u>180,868,658</u>
\$ <u>138,771,361</u>	\$ <u>48,319,167</u>	\$ <u>187,090,528</u>

# City of Twinsburg, Ohio

## Balance Sheet Governmental Funds

**December 31, 2012**

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	<u>General</u>	<u>Fire Pension</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 22,853,307	\$ 22,868
Restricted cash	2,094	-
Income taxes receivable	4,168,320	-
Property taxes receivable	-	176,485
Accounts receivable	67,508	-
Accrued interest receivable	967	-
Special Assessment receivable	387	-
Intergovernmental receivable	282,706	1,425
Materials and supplies inventory	<u>210,536</u>	<u>-</u>
Total assets	\$ <u>27,585,825</u>	\$ <u>200,778</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 144,693	\$ -
Accrued wages	225,907	116,257
Claims payable	111,990	-
Intergovernmental payable	513,814	187,798
Deferred revenue	<u>1,469,640</u>	<u>177,910</u>
Total liabilities	<u>2,466,044</u>	<u>481,965</u>
Fund balances (Deficit):		
Nonspendable	212,629	-
Restricted	-	-
Committed	-	-
Assigned	147,710	-
Unassigned	<u>24,759,442</u>	<u>(281,187)</u>
Total fund balances (Deficit)	<u>25,119,781</u>	<u>(281,187)</u>
Total liabilities and fund balances	\$ <u>27,585,825</u>	\$ <u>200,778</u>

The accompanying notes are an integral part of these financial statements

<u>Police Pension</u>	<u>Park Debt Service</u>	<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 38,710	\$ 27,629	\$ 3,745,291	\$ 2,584,675	\$ 29,272,480
-	-	-	-	2,094
-	-	-	-	4,168,320
176,485	879,784	-	-	1,232,754
-	-	-	-	67,508
-	-	-	-	967
-	-	-	-	387
1,425	-	51,510	342,609	679,675
-	-	-	-	210,536
<u>\$ 216,620</u>	<u>\$ 907,413</u>	<u>\$ 3,796,801</u>	<u>\$ 2,927,284</u>	<u>\$ 35,634,721</u>
\$ -	\$ -	\$ 118,020	\$ 85,605	\$ 348,318
150,825	-	-	-	492,989
-	-	-	-	111,990
176,128	-	-	11,535	889,275
<u>177,910</u>	<u>879,784</u>	<u>-</u>	<u>216,684</u>	<u>2,921,928</u>
<u>504,863</u>	<u>879,784</u>	<u>118,020</u>	<u>313,824</u>	<u>4,764,500</u>
-	-	-	-	212,629
-	27,629	455,105	2,135,607	2,618,341
-	-	3,223,676	477,853	3,701,529
-	-	-	-	147,710
<u>(288,243)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,190,012</u>
<u>(288,243)</u>	<u>27,629</u>	<u>3,678,781</u>	<u>2,613,460</u>	<u>30,870,221</u>
<u>\$ 216,620</u>	<u>\$ 907,413</u>	<u>\$ 3,796,801</u>	<u>\$ 2,927,284</u>	<u>\$ 35,634,721</u>

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# City of Twinsburg, Ohio

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

**December 31, 2012**

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Total Governmental Fund Balances \$ 30,870,221

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 121,803,476

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

Property and other taxes	\$ 101,604
Municipal income taxes	1,253,837
Special assessments	387
Charges for services	24,208
Intergovernmental	<u>410,743</u>

Total 1,790,779

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (44,672)

In the Statement of Activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds, bond issuance expenditures are reported when bonds are issued. 107,511

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

General obligation bonds	(10,573,725)
Special assessment bonds	(225,000)
ODOT loan payable	(535,000)
Energy Equipment loan payable	(533,965)
OPWC loan payable	(2,160,122)
Compensated absences	<u>(1,728,142)</u>

Total (15,755,954)

Net position of governmental activities \$ 138,771,361

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, 2012**

	<u>General</u>	<u>Fire Pension</u>
Revenues:		
Property and other taxes	\$ -	\$ 150,180
Municipal income tax	22,889,874	-
Other local taxes	130,992	-
Intergovernmental	651,892	39,046
Charges for services	1,439,687	-
License and permits	355,511	-
Fines and forfeitures	118,133	-
Investment income	16,304	-
Miscellaneous income	<u>872,555</u>	<u>-</u>
Total revenues	<u>26,474,948</u>	<u>189,226</u>
Expenditures:		
Current operations and maintenance:		
Security of persons and property	6,803,700	575,409
Leisure time activities	1,425,691	-
Community development	1,262,405	-
Basic utility service	97,631	-
Transportation	3,954,772	-
General government	4,860,707	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>
Total expenditures	<u>18,404,906</u>	<u>575,409</u>
Excess of revenues over (under) expenditures	<u>8,070,042</u>	<u>(386,183)</u>
Other financing sources (uses):		
Transfers - in	-	394,184
Transfers - out	(1,876,658)	-
Proceeds from issuance of debt	<u>59,483</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,817,175)</u>	<u>394,184</u>
Net change in fund balances	6,252,867	8,001
Fund balance (deficit) beginning of year	<u>18,866,914</u>	<u>(289,188)</u>
Fund balance (deficit) end of year	\$ <u>25,119,781</u>	\$ <u>(281,187)</u>

The accompanying notes are an integral part of these financial statements

# City of Twinsburg, Ohio

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

### For The Year Ended December 31, 2012

<u>Police Pension</u>	<u>Park Debt Service</u>	<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 152,627	\$ 757,016	\$ -	\$ -	\$ 1,059,823
-	-	-	-	22,889,874
-	-	-	-	130,992
36,598	87,660	455,105	1,472,640	2,742,941
-	-	-	184,104	1,623,791
-	-	-	1,610	357,121
-	-	-	-	118,133
-	-	-	-	16,304
-	-	1,750	48,149	922,454
<u>189,225</u>	<u>844,676</u>	<u>456,855</u>	<u>1,706,503</u>	<u>29,861,433</u>
573,290	-	-	21,831	7,974,230
-	-	-	61,787	1,487,478
-	-	-	3,000	1,265,405
-	-	-	62,463	160,094
-	-	-	1,338,722	5,293,494
-	-	976,604	11,230	5,848,541
-	-	1,178,205	485,127	1,663,332
-	605,000	54,904	851,746	1,511,650
-	241,734	1,780	247,791	491,305
<u>573,290</u>	<u>846,734</u>	<u>2,211,493</u>	<u>3,083,697</u>	<u>25,695,529</u>
<u>(384,065)</u>	<u>(2,058)</u>	<u>(1,754,638)</u>	<u>(1,377,194)</u>	<u>4,165,904</u>
310,145	-	-	1,098,606	1,802,935
-	-	-	-	(1,876,658)
-	-	607,357	-	666,840
<u>310,145</u>	<u>-</u>	<u>607,357</u>	<u>1,098,606</u>	<u>593,117</u>
(73,920)	(2,058)	(1,147,281)	(278,588)	4,759,021
<u>(214,323)</u>	<u>29,687</u>	<u>4,826,062</u>	<u>2,892,048</u>	<u>26,111,200</u>
\$ <u>(288,243)</u>	\$ <u>27,629</u>	\$ <u>3,678,781</u>	\$ <u>2,613,460</u>	\$ <u>30,870,221</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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 4,759,021

*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 capital outlay exceeded depreciation in the current period.

Capital outlay	\$ 4,289,507	
Depreciation	<u>(3,895,594)</u>	393,913

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 position differs from the change in fund balance by the cost of the property and equipment. (451,434)

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	23,003	
Municipal income taxes	(37,381)	
Special assessment	(1,089)	
Charges for services	(4,770)	
Intergovernmental	<u>(60,182)</u>	(80,419)

Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,511,649

Other financing sources in the governmental funds increase long-term liabilities in the Statement of Net Position.

OPWC Loan Proceeds	<u>(666,840)</u>	(666,840)
--------------------	------------------	-----------

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	(135,019)	
Amortization of premium	46,044	
Amortization of loss on refunding	(21,317)	
Amortization of bond issuance costs	(14,685)	
Accrued interest on bonds	<u>5,921</u>	<u>(119,056)</u>

*Change in Net Position of Governmental Activities* \$ 5,346,834

The accompanying notes are an integral part of these financial statements

# City of Twinsburg, Ohio

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

### General Fund

**December 31, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal income taxes	\$ 19,000,000	\$ 23,500,000	\$ 23,148,257	\$ (351,743)
Other local taxes	121,345	109,241	130,205	20,964
Intergovernmental	702,455	632,389	753,747	121,358
Charges for services	1,503,139	1,353,210	1,612,896	259,686
License and permits	331,319	298,272	355,511	57,239
Fines and forfeitures	109,796	98,844	117,813	18,969
Investment income	29,651	26,693	31,816	5,123
Other	780,115	724,799	857,196	132,397
Total revenue	<u>22,577,820</u>	<u>26,743,448</u>	<u>27,007,441</u>	<u>263,993</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Security of property and persons	6,910,669	7,081,689	6,691,195	390,494
Leisure time activities	1,470,532	1,506,950	1,418,361	88,589
Community development	1,640,302	1,673,382	1,406,569	266,813
Basic utility services	101,229	103,736	97,631	6,105
Transportation	4,099,364	4,200,882	3,957,130	243,752
General government	5,180,088	5,304,301	4,893,434	410,867
Total expenditures	<u>19,402,184</u>	<u>19,870,940</u>	<u>18,464,320</u>	<u>1,406,620</u>
Excess of revenues over (under) expenditures	<u>3,175,636</u>	<u>6,872,508</u>	<u>8,543,121</u>	<u>1,670,613</u>
<b>Other financing sources (uses):</b>				
Transfers – in	1,319	1,188	10,000	8,812
Transfers – out	(1,945,823)	(1,994,012)	(1,876,658)	117,354
Total other financing sources (uses)	<u>(1,944,504)</u>	<u>(1,992,824)</u>	<u>(1,866,658)</u>	<u>126,166</u>
Net change in fund balance	1,231,132	4,879,684	6,676,463	1,796,779
Prior year encumbrances	363,096	363,096	363,096	-
Fund balance, beginning of the year	<u>15,662,902</u>	<u>15,662,902</u>	<u>15,662,902</u>	-
Fund balance, end of the year	\$ <u>17,257,130</u>	\$ <u>20,905,682</u>	\$ <u>22,702,461</u>	\$ <u>1,796,779</u>

The accompanying notes are an integral part of these financial statements

# City of Twinsburg, Ohio

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

Fire Pension

**December 31, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 137,621	\$ 150,180	\$ 150,180	\$ -
Intergovernmental	<u>34,659</u>	<u>37,822</u>	<u>37,822</u>	<u>-</u>
Total revenue	172,280	188,002	188,002	-
Expenditures:				
Current:				
Security of property and persons	<u>519,980</u>	<u>565,111</u>	<u>560,557</u>	<u>4,554</u>
Excess of revenues over (under) expenditures	(347,700)	(377,109)	(372,555)	4,554
Other financing sources (uses):				
Transfers – in	<u>255,000</u>	<u>394,184</u>	<u>394,184</u>	<u>-</u>
Net change in fund balance	(92,700)	17,075	21,629	4,554
Fund balance beginning of the year	<u>15</u>	<u>15</u>	<u>15</u>	<u>-</u>
Fund balance end of the year	\$ <u>(92,685)</u>	\$ <u>17,090</u>	\$ <u>21,644</u>	\$ <u>4,554</u>

The accompanying notes are an integral part of these financial statements

# City of Twinsburg, Ohio

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

Police Pension

**December 31, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 138,066	\$ 152,627	\$ 152,627	\$ -
Intergovernmental	34,214	37,822	37,822	-
Total revenue	172,280	190,449	190,449	-
Expenditures:				
Current:				
Security of property and persons	519,965	519,965	497,134	22,831
Excess of revenues over (under) expenditures	(347,685)	(329,516)	(306,685)	22,831
Other financing sources (uses):				
Transfers – in	255,000	310,145	310,145	-
Net change in fund balance	(92,685)	(19,371)	3,460	22,831
Fund balance beginning of the year	36,474	36,474	36,474	-
Fund balance end of the year	\$ (56,211)	\$ 17,103	\$ 39,934	\$ 22,831

The accompanying notes are an integral part of these financial statements

# City of Twinsburg, Ohio

## Statement of Fund Net Position Proprietary Funds

**December 31, 2012**

	Business-Type Activities			
	Sewer	Fitness Center	Other Business-Type	Total
<b>Assets:</b>				
<b>Current assets:</b>				
Equity in pooled cash and cash equivalents	\$ 2,507,497	\$ 259,423	\$ 186,038	\$ 2,952,958
<b>Receivables:</b>				
Accounts receivable	536,161	6,854	-	543,015
Intergovernmental receivable	83,649	-	-	83,649
Special assessments receivable	15,078	-	-	15,078
Materials and supplies inventory	121,742	-	-	121,742
Total current assets	<u>3,264,127</u>	<u>266,277</u>	<u>186,038</u>	<u>3,716,442</u>
<b>Non-current assets:</b>				
Nondepreciable capital assets	1,532,043	5,100	2,650,000	4,187,143
Depreciable capital assets, net	<u>32,425,295</u>	<u>8,501,194</u>	<u>354,994</u>	<u>41,281,483</u>
Total non-current assets	<u>33,957,338</u>	<u>8,506,294</u>	<u>3,004,994</u>	<u>45,468,626</u>
Total assets	<u>37,221,465</u>	<u>8,772,571</u>	<u>3,191,032</u>	<u>49,185,068</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	35,600	4,887	503	40,990
Accrued wages	92,809	-	-	92,809
Accrued interest payable	-	-	754	754
Intergovernmental payable	60,166	16,969	-	77,135
Claims payable	24,317	5,613	7,049	36,979
Deferred revenue	-	157,601	-	157,601
Due within one year	<u>67,513</u>	<u>10,889</u>	<u>32,317</u>	<u>110,719</u>
Total current liabilities	<u>280,405</u>	<u>195,959</u>	<u>40,623</u>	<u>516,987</u>
<b>Long-term liabilities (net of current portion):</b>				
Capital lease payable	-	-	15,659	15,659
Loan payable	83,649	-	-	83,649
Compensated absences	<u>189,148</u>	<u>28,419</u>	<u>32,039</u>	<u>249,606</u>
Total long-term liabilities	<u>272,797</u>	<u>28,419</u>	<u>47,698</u>	<u>348,914</u>
Total liabilities	<u>553,202</u>	<u>224,378</u>	<u>88,321</u>	<u>865,901</u>
<b>Net position:</b>				
Net investment in capital assets	33,873,689	8,506,294	2,982,128	45,362,111
Unrestricted (deficit)	<u>2,794,574</u>	<u>41,899</u>	<u>120,583</u>	<u>2,957,056</u>
Total net position	\$ <u>36,668,263</u>	\$ <u>8,548,193</u>	\$ <u>3,102,711</u>	\$ <u>48,319,167</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 Position Proprietary Funds

### For The Year Ended December 31, 2012

	Business-Type Activities			Total
	Sewer	Fitness Center	Other Business-Type	
Operating revenues:				
Charges for services	\$ 2,915,587	\$ 1,086,912	\$ 979,053	\$ 4,981,552
Other	-	13,553	13,996	27,549
Total operating revenues	<u>2,915,587</u>	<u>1,100,465</u>	<u>993,049</u>	<u>5,009,101</u>
Operating expenses:				
Personal services	1,835,783	823,631	542,693	3,202,107
Materials and supplies	192,716	93,273	219,693	505,682
Contractual services	236,869	267,331	118,877	623,077
Other operating expenses	-	-	55,372	55,372
Depreciation	<u>763,040</u>	<u>296,664</u>	<u>24,373</u>	<u>1,084,077</u>
Total operating expenses	<u>3,028,408</u>	<u>1,480,899</u>	<u>961,008</u>	<u>5,470,315</u>
Operating income (loss)	<u>(112,821)</u>	<u>(380,434)</u>	<u>32,041</u>	<u>(461,214)</u>
Non-operating revenue (expenses):				
Loss on capital asset disposal	(20,574)	-	-	(20,574)
Interest and fiscal charges	<u>(187)</u>	<u>-</u>	<u>(754)</u>	<u>(941)</u>
Total non-operating revenues (expenses)	<u>(20,761)</u>	<u>-</u>	<u>(754)</u>	<u>(21,515)</u>
Income (Loss) before transfers and contributed capital	(133,582)	(380,434)	31,287	(482,729)
Transfers-in	-	73,723	-	73,723
Contributed capital	<u>1,284,042</u>	<u>-</u>	<u>-</u>	<u>1,284,042</u>
Change in net position	1,150,460	(306,711)	31,287	875,036
Net position beginning of year	<u>35,517,803</u>	<u>8,854,904</u>	<u>3,071,424</u>	<u>47,444,131</u>
Net position end of year	\$ <u>36,668,263</u>	\$ <u>8,548,193</u>	\$ <u>3,102,711</u>	\$ <u>48,319,167</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, 2012

	Business-Type Activities			Total
	Sewer	Fitness Center	Other Business-Type	
Increase (decrease) in cash and cash equivalents:				
Cash flows from operating activities:				
Cash received from customers	\$ 2,904,601	\$ 1,048,752	\$ 979,053	\$ 4,932,406
Cash payments for personal services	(1,837,295)	(820,161)	(537,284)	(3,194,740)
Cash payments for contractual services	(213,607)	(245,475)	(119,534)	(578,616)
Cash payments for vendors for supplies and materials	(267,948)	(93,273)	(219,693)	(580,914)
Cash received for other operating activities	-	13,553	13,996	27,549
Cash used for other operating activities	-	-	(55,372)	(55,372)
Net cash provided by (used in) operating activities	<u>585,751</u>	<u>(96,604)</u>	<u>61,166</u>	<u>550,313</u>
Cash flows from capital and related financing activities:				
Principal paid on debt maturities	-	-	(17,631)	(17,631)
Impairment of capital assets	-	57,385	-	57,385
Miscellaneous fiscal charges	(187)	-	-	(187)
Payments for capital acquisitions	<u>(1,213,760)</u>	<u>(52,867)</u>	<u>(120,012)</u>	<u>(1,386,639)</u>
Net cash provided by capital and related financing activities	<u>(1,213,947)</u>	<u>4,518</u>	<u>(137,643)</u>	<u>(1,347,072)</u>
Cash flows from noncapital financing activities:				
Transfers in	-	<u>73,723</u>	-	<u>73,723</u>
Net cash provided by noncapital financing activities	-	<u>73,723</u>	-	<u>73,723</u>
Net decrease in cash and cash equivalents	(628,196)	(18,363)	(76,477)	(723,036)
Cash and cash equivalents, beginning of year	<u>3,135,693</u>	<u>277,786</u>	<u>262,515</u>	<u>3,675,994</u>
Cash and cash equivalents, end of year	\$ <u><u>2,507,497</u></u>	\$ <u><u>259,423</u></u>	\$ <u><u>186,038</u></u>	\$ <u><u>2,952,958</u></u>

(Continued)

The accompanying notes are an integral part of these financial statements

# City of Twinsburg, Ohio

## Statement of Cash Flows (Continued)

### Proprietary Funds

#### For The Year Ended December 31, 2012

	Business-Type Activities			
	<u>Sewer</u>	<u>Fitness Center</u>	<u>Other Business-Type</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ <u>(112,821)</u>	\$ <u>(380,434)</u>	\$ <u>32,041</u>	\$ <u>(461,214)</u>
Adjustments:				
Depreciation	763,040	296,664	24,373	1,084,077
(Increase) decrease in assets:				
Accounts receivable	(69,903)	(165)	-	(70,068)
Materials and supplies inventory	(75,232)	-	-	(75,232)
Special assessments receivable	12,961	-	-	12,961
Increase (decrease) in liabilities:				
Accounts payable	9,052	4,887	(657)	13,282
Accrued wages and benefits	11,561	-	-	11,561
Claims payable	11,206	1,313	4,408	16,927
Compensated absences payable	22,216	2,157	1,001	25,374
Intergovernmental payable	13,671	16,969	-	30,640
Deferred revenue	-	(37,995)	-	(37,995)
Total adjustments	<u>698,572</u>	<u>283,830</u>	<u>29,125</u>	<u>1,011,527</u>
Net cash provided by (used in) operating activities:	\$ <u><u>585,751</u></u>	\$ <u><u>(96,604)</u></u>	\$ <u><u>61,166</u></u>	\$ <u><u>550,313</u></u>
Noncash Capital Activities:				
Contributed capital from governmental activities and developers	\$ 1,284,042	\$ -	\$ -	\$ 1,284,042
Loss on sale of capital asset	(20,574)	-	-	(20,574)
OPWC loan received	83,649	-	-	83,649
Capital assets acquired through capital lease	-	-	31,366	31,366
Total noncash capital activities	\$ <u><u>1,347,117</u></u>	\$ <u><u>-</u></u>	\$ <u><u>31,366</u></u>	\$ <u><u>1,378,483</u></u>

# City of Twinsburg, Ohio

## Notes to Basic Financial Statements

### **For The Year Ended December 31, 2012**

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#### **Note 1: The Reporting Entity**

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

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

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

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

#### Jointly Governed Organizations

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

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2012**

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### **Note 1: The Reporting Entity (continued)**

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Twinsburg did not contribute to NOPEC during 2012. 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 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 position 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 position 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 position 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, 2012**

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

#### **A. Basis of Presentation (continued)**

##### *Fund Financial Statements*

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

#### **B. Fund Accounting**

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

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

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

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

*Fire Pension Fund* – The fire pension fund accounts for property taxes levied for the payment of the current and accrued liability for fire disability and pension benefits.

*Police Pension Fund* – The police pension fund accounts for property taxes levied for the payment of the current and accrued liability for police disability and pension benefits.

*Park Debt Fund* – The park debt fund accounts for property taxes levied 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 resources allocated for the purpose of improving, constructing, maintaining, and purchasing those items necessary to enhance the operation of the City.

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

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2012**

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

#### ***B. Fund Accounting (continued)***

*Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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.

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

The other business-type funds of the City account for other resources whose use is restricted to a particular purpose.

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

#### ***C. Measurement Focus***

##### *Government-Wide Financial Statements*

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

##### *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, 2012**

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

#### **C. Measurement Focus (continued)**

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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, 2012**

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

#### ***D. Basis of Accounting (continued)***

##### *Deferred Revenues*

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, 2012, but which were levied to finance year 2012 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. 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 Fiscal Officer, 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, 2012**

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

#### ***E. Budgetary Process (continued)***

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the Finance Director determines that revenue to be collected will be greater than or less than the prior estimates and the budget commission find 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 2012. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2012.

#### *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, 2012**

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

#### ***E. Budgetary Process (continued)***

##### *Encumbrances*

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of budgetary control.

On the GAAP basis, encumbrances outstanding at year end are reported as assigned, committed, or restricted fund balances for subsequent-year expenditures for governmental 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 financial statements.

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.

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 of all funds are stated at cost which is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types and as expenses in the proprietary fund type when used.

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

Payments made to vendors for services that will benefit periods beyond December 31, 2012, 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.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2012**

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

#### ***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 position 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 position 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, interfund loans are classified as "Interfund Receivable/Payable" on the balance sheet. Long-term interfund loans are classified as "Advances to/from Other Funds" on the Balance Sheet and are equally offset as part of nonspendable fund balance which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2012**

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

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

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

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

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

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

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

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

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

#### ***M. Net Position***

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is 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 position is available.

#### ***N. 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, fitness center, and other proprietary programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2012**

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

#### ***O. 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.

#### ***P. 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 2012.

#### ***Q. 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.

#### ***R. Contributed Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction and from contributions from governmental funds. During 2012, the sewer fund received contributions of capital in the amount of \$1,009,082 from governmental activities and \$274,960 from developers within the City.

#### ***S. Subsequent Events***

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through August 23, 2013, the date the financial statements were available to be issued.

#### ***T. Comparative Data/Reclassifications***

Prior year data presented in Management's Discussion and Analysis have been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2011 financial statements in order to conform to the 2012 presentation.

#### ***U. Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable:*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2012**

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

#### **U. Fund Balance (continued)**

**Restricted:** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance.

**Unassigned:** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

For 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2012

### **Note 3: Change in Accounting Principle (continued)**

GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements which do not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the City. The implementation of this statement has no impact on the City's financial statements or disclosures.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the City. The implementation of this statement has no material impact on the City's financial statements or disclosures.

### **Note 4: Budgetary Basis of Accounting**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are identified as follows:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General fund, Fire Pension fund, and Police Pension fund.

	<u>General</u>	<u>Fire Pension</u>	<u>Police Pension</u>
GAAP basis	\$ 6,252,867	\$ 8,001	\$ (73,920)
Increase (decrease) due to:			
Revenue accruals	483,010	(1,224)	1,224
Expenditure accruals	(212,354)	14,852	76,156
Outstanding encumbrances	152,940	-	-
Budget basis	<u>\$ 6,676,463</u>	<u>\$ 21,629</u>	<u>\$ 3,460</u>

### **Note 5: Deposits and Investments**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2012**

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

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.

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.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2012

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

At year-end, the carrying amount of the City's deposits was \$3,867,532 and the bank balance was \$4,371,735. The entire bank balance was covered by the Federal depository insurance.

#### ***Investments***

Investments are reported at fair value. As of December 31, 2012, the City had the following investments:

	<u>Fair Value</u>	<u>Maturities Less than One Year</u>
Repurchase Agreements	\$ <u>28,360,000</u>	\$ <u>28,360,000</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 within five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than one year.

*Custodial Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The securities underlying the repurchase agreements are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty. The City has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that requires securities shall be delivered into the custody of the Finance Director or governing board or an agent designated by the Finance Director or governing board. 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 an Aaa rating by Moody's.

*Concentration of Credit Risk* is defined by the Governmental Accounting Standards Board 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 repurchase agreements represent 100 percent of the City's investments.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2012

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### **Note 6: Receivables**

Receivables at December 31, 2012 consisted primarily of taxes, intergovernmental receivables arising from grants, entitlements or shared revenues, accounts, special assessments and interest on investments. All receivables are considered fully collectible.

#### **A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City.

Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2008. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

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. 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 Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City of Twinsburg. The County Fiscal Officer 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, 2012, was \$2.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Category:	<u>Assessed Value</u>
Real estate	\$ 561,066,780
Public utility	<u>8,160,680</u>
Total	<u>\$ 569,227,460</u>

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2012**

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

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

The City levies and collects an income tax of 2.25% 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.

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

A summary of intergovernmental receivables follows:

##### Governmental activities:

Local government and local government revenue assistance	\$	335,178
CAT tax		2,851
Estate tax		5,037
Gasoline and excise tax and state highway distributions		324,723
Permissive motor vehicle license tax		11,886

##### Business type activities:

Local government and local government revenue assistance		83,649
Total	\$	<u>763,324</u>

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2012

### Note 7: Capital Assets

Capital asset activity for government the year ended December 31, 2012, was as follows:

	Balance 12/31/11	Additions	Disposals	Balance 12/31/12
<i>Governmental Activities:</i>				
Capital assets not being depreciated				
Construction in progress	\$ 4,221,687	\$ 854,596	\$ (3,299,865)	\$ 1,776,418
Land	<u>22,946,703</u>	<u>-</u>	<u>-</u>	<u>22,946,703</u>
Total capital assets not being depreciated	<u>27,168,390</u>	<u>854,596</u>	<u>(3,299,865)</u>	<u>24,723,121</u>
Capital assets being depreciated				
Land improvements	2,987,350	-	-	2,987,350
Buildings	10,202,122	-	-	10,202,122
Machinery and equipment	4,874,380	362,213	(40,793)	5,195,800
Vehicles	6,143,966	422,232	(371,765)	6,194,433
Infrastructure:				
Roads	53,706,185	4,068,844	(1,566,998)	56,208,031
Water mains	31,643,237	896,311	(18,924)	32,520,624
Storm sewers and culverts	33,493,094	781,666	-	34,274,760
Traffic signs and signals	1,207,331	158,008	-	1,365,339
Streetlights	<u>1,595,278</u>	<u>45,502</u>	<u>(13,157)</u>	<u>1,627,623</u>
Total capital assets being depreciated	<u>145,852,943</u>	<u>6,734,776</u>	<u>(2,011,637)</u>	<u>150,576,082</u>
Less accumulated depreciation:				
Land improvements	(1,238,097)	(76,906)	-	(1,315,003)
Buildings	(3,538,648)	(208,316)	-	(3,746,964)
Machinery and equipment	(3,581,274)	(265,556)	36,028	(3,810,802)
Vehicles	(3,742,506)	(352,614)	300,221	(3,794,899)
Infrastructure:				
Roads	(23,159,034)	(1,965,340)	1,211,279	(23,913,095)
Water mains	(5,469,429)	(325,395)	1,892	(5,792,932)
Storm sewers and culverts	(8,784,427)	(571,180)	-	(9,355,607)
Traffic signs and signals	(643,967)	(67,212)	-	(711,179)
Streetlights	<u>(1,002,954)</u>	<u>(63,075)</u>	<u>10,783</u>	<u>(1,055,246)</u>
Total accumulated depreciation	<u>(51,160,336)</u>	<u>(3,895,594)</u>	<u>1,560,203</u>	<u>(53,495,727)</u>
Net capital assets being depreciated	<u>94,692,607</u>	<u>2,839,182</u>	<u>(451,434)</u>	<u>97,080,355</u>
Governmental activities capital assets, net \$	<u>121,860,997</u>	<u>3,693,778</u>	<u>(3,751,299)</u>	<u>121,803,476</u>

Depreciation expense was charged to governmental activities as follows:

Community development	\$ 30,846
General government	77,047
Leisure time activities	191,680
Security of persons and property	430,878
Transportation	<u>3,165,143</u>
Total depreciation expense	<u>\$ 3,895,594</u>

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2012

### Note 7: Capital Assets (continued)

	Balance 12/31/11	Additions	Disposals	Balance 12/31/12
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 936,538	\$ 815,990	\$ (246,535)	\$ 1,505,993
Land	<u>2,681,150</u>	<u>-</u>	<u>-</u>	<u>2,681,150</u>
Total capital assets not being depreciated	<u>3,617,688</u>	<u>815,990</u>	<u>(246,535)</u>	<u>4,187,143</u>
Capital assets being depreciated:				
Land improvements	162,087	-	-	162,087
Buildings and improvements	23,919,188	117,378	-	24,036,566
Machinery and equipment	2,691,617	1,239,003	-	3,930,620
Vehicles	714,355	33,096	(143,536)	603,915
Infrastructure:				
Sewer lines	<u>30,419,924</u>	<u>685,730</u>	<u>(18,696)</u>	<u>31,086,958</u>
Total capital assets being depreciated	<u>57,907,171</u>	<u>2,075,207</u>	<u>(162,232)</u>	<u>59,820,146</u>
Less accumulated depreciation:				
Land improvements	(24,246)	(3,065)	-	(27,311)
Buildings and improvements	(8,475,891)	(533,412)	-	(9,009,303)
Machinery and equipment	(2,225,858)	(106,972)	-	(2,332,830)
Vehicles	(482,131)	(30,247)	135,675	(376,703)
Infrastructure:				
Sewer lines	<u>(6,388,118)</u>	<u>(410,381)</u>	<u>5,983</u>	<u>(6,792,516)</u>
Total accumulated depreciation	<u>(17,596,244)</u>	<u>(1,084,077)</u>	<u>141,658</u>	<u>(18,538,663)</u>
Net capital assets being depreciated	<u>40,310,927</u>	<u>991,130</u>	<u>(20,574)</u>	<u>41,281,483</u>
Total business-type activities capital assets, net	\$ <u>43,928,615</u>	\$ <u>1,807,120</u>	\$ <u>(267,109)</u>	\$ <u>45,468,626</u>

### Note 8: Long-Term Obligations

#### A. Original Issues

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

	Original Issue Date	Original Interest Rate	Issue Amount
General obligation bonds:			
Park land and conservation refunding	2011A	2.00% - 4.88%	\$ 6,455,000
Park land and conservation refunding	2011B	2.00% - 4.25%	3,115,000
Darrow Road improvement	2003	2.00% - 4.80%	3,065,000
Special Assessment Bonds:			
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

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2012

### 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, 2012 was as follows:

	Balance 12/31/11	Issued	Retired	Balance 12/31/12	Due in One Year
Governmental Activities:					
General obligation bonds:					
Park land and conservation refunding due through 2021	\$ 6,315,000	\$ -	\$ (605,000)	\$ 5,710,000	\$ 615,000
Senior center and golf course refunding due through 2021	3,105,000	-	(275,000)	2,830,000	280,000
Darrow Road improvement, due through 2022	1,985,000	-	(145,000)	1,840,000	150,000
Premium on general obligation bonds	431,618	-	(46,044)	385,574	-
Loss on refunding	<u>(213,166)</u>	<u>-</u>	<u>21,317</u>	<u>(191,849)</u>	<u>-</u>
Total general obligation bonds	<u>11,623,452</u>	<u>-</u>	<u>(1,049,727)</u>	<u>10,573,725</u>	<u>1,045,000</u>
Special assessment bonds:					
Liberty/Cannon/Chamberlin/Ravenna due through 2023	180,000	-	(15,000)	165,000	15,000
Creekside/Glenwood improvement, due through 2013	20,000	-	(10,000)	10,000	10,000
Darrow/Chamberlin, due through 2015	12,000	-	(3,000)	9,000	3,000
Chamberlin Waterline Due through 2025	<u>44,000</u>	<u>-</u>	<u>(3,000)</u>	<u>41,000</u>	<u>3,000</u>
Total special assessment bonds	<u>256,000</u>	<u>-</u>	<u>(31,000)</u>	<u>225,000</u>	<u>31,000</u>
Other long-term obligations:					
ODOT loan refunding	795,000	-	(260,000)	535,000	265,000
Energy Equipment Loan Payable	656,964	-	(122,999)	533,965	128,386
OPWC – Edgewood Improvements	342,965	-	(9,537)	333,428	11,498
OPWC – Haverhill and Croyden	343,808	-	(8,210)	335,598	11,572
OPWC – Post Road	824,256	42,428	-	866,684	-
OPWC – Sunview	-	624,412	-	624,412	-
Capital lease payable	54,904	-	(54,904)	-	-
Accrued compensated absences	<u>1,593,122</u>	<u>596,004</u>	<u>(460,984)</u>	<u>1,728,142</u>	<u>471,821</u>
Total other long-term obligations	<u>4,611,019</u>	<u>1,262,844</u>	<u>(916,634)</u>	<u>4,957,229</u>	<u>888,277</u>
Total governmental activities	<u>\$ 16,490,471</u>	<u>\$ 1,262,844</u>	<u>\$ (1,997,361)</u>	<u>\$ 15,755,954</u>	<u>\$ 1,964,277</u>

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2012

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

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

	Balance <u>12/31/11</u>	Issued	Retired	Balance <u>12/31/12</u>	Due in <u>One Year</u>
Business-Type Activities:					
Other long term obligations:					
Capital lease payable	\$ 9,131	\$ 31,366	\$ (17,631)	\$ 22,866	\$ 7,207
OPWC – Darrow	-	83,649	-	83,649	-
Accrued compensated absences	<u>327,744</u>	<u>123,027</u>	<u>(97,653)</u>	<u>353,118</u>	<u>103,512</u>
Total other long-term obligations	<u>336,875</u>	<u>238,042</u>	<u>(115,284)</u>	<u>459,633</u>	<u>110,719</u>
Total business-type activities	<u>\$ 336,875</u>	<u>\$ 238,042</u>	<u>\$ (115,284)</u>	<u>\$ 459,633</u>	<u>\$ 110,719</u>

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2012 were as follows:

Year	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>Energy Equipment &amp; ODOT Loans</u>		<u>OPWC</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2013	\$ 1,045,000	\$ 386,155	\$ 31,000	\$ 11,306	\$ 393,386	\$ 34,715	\$ 23,070	\$ 1,924,632
2014	1,080,000	362,405	21,000	9,862	404,009	23,791	23,070	1,924,137
2015	1,125,000	336,917	21,000	8,791	139,879	12,522	23,070	1,667,179
2016	1,140,000	296,252	18,000	7,720	131,691	6,395	23,070	1,623,128
2017	1,185,000	254,437	18,000	6,805	-	-	23,070	1,487,312
2018-2022	4,805,000	520,413	90,000	20,300	-	-	115,350	5,551,063
2023-2027	-	-	26,000	1,915	-	-	115,350	143,265
2028-2032	-	-	-	-	-	-	115,350	115,350
2033-2037	-	-	-	-	-	-	115,350	115,350
2038-2042	-	-	-	-	-	-	92,276	92,276
	<u>\$10,380,000</u>	<u>\$ 2,156,579</u>	<u>\$ 225,000</u>	<u>\$ 66,699</u>	<u>\$ 1,068,965</u>	<u>\$ 77,423</u>	<u>\$ 669,026</u>	<u>\$14,643,692</u>

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

In 2008, the City entered into a loan agreement with Ohio Public Works Commission (OPWC) for the Edgewood road improvements in the amount of \$344,925, payable in semi-annual payments of \$5,748 at zero percent interest for 30 years. The amounts are included in the amortization table above. This loan will be paid back from income tax monies.

During 2009, the City entered into a second loan agreement with Ohio Public Works Commission (OPWC) loan for the Haverhill and Croyden road improvements in the amount of \$347,170, payable in semi-annual payments of \$5,786 at zero percent interest for 30 years. The amounts are included in the amortization table above. This loan will be paid back from income tax monies.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2012**

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

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

Also during 2009, the City entered into a loan agreement with First Merit bank for the purchase of energy efficient equipment in the amount of \$902,008, payable in annual combined principal and interest payments of \$152,401. The amounts are included in the amortization table above. This loan will be paid back from income tax monies.

During 2010, the City obtained a third Ohio Public Works Commission (OPWC) loan for the Post road improvements to be repaid in semi-annual principal payments beginning upon project completion. OPWC has authorized this loan up to \$1,044,396. The above represents the monies drawn against this loan and as a result, the debt maturity schedule above does not reflect any amounts for principal or interest. When the loan is finalized, the principal and interest will be included above.

In 2011, the City defeased a portion of various general obligation bonds and the City's ODOT loan in order to take advantage of lower interest rates. The proceeds of the new bonds and loan were placed in an irrevocable trust to provide for all future debt service payments on the refunded portion of the various general obligation bonds and ODOT loan. Accordingly, the trust account assets and liabilities for the defeased bonds and loan are not included in the City's financial statements. At December 31, 2012, \$9,667,519 of the defeased bonds and loan are still outstanding.

During 2012, the City obtained a fourth Ohio Public Works Commission (OPWC) loan for the Sunview Drive improvements to be repaid in semi-annual principal payments upon project completion. OPWC has authorized this loan up to \$671,654. The above represents the monies drawn against this loan and as a result, the debt maturity schedule above does not reflect any amounts for principal or interest. When the loan is finalized, the principal and interest will be included above.

Also in 2012, the City obtained a fifth Ohio Public Works Commission (OPWC) loan for the Darrow Road Sanitary and Tinkers Lane to Tinkers Creek improvements to be repaid in semi-annual principal payments upon project completion. OPWC has authorized this loan up to \$85,600. The above represents the monies drawn against this loan and as a result, the debt maturity schedule above does not reflect any amounts for principal or interest. When the loan is finalized, the principal and interest will be included above.

### **Note 9: Lease Obligations**

The City has entered into lease agreements as lessee for financing which relate to various equipment and vehicles. These lease agreements qualify as operating and capital leases. For accounting purposes, capital leases have been recorded at the present value of its future minimum lease payments as of inception date.

	<u>Business-Type Activities</u>
Assets:	
Machinery and equipment	\$ 77,603
Less: accumulated depreciation	<u>(22,251)</u>
Total	<u>\$ 55,352</u>

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2012

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### **Note 9: Lease Obligations (continued)**

The following is a schedule of the future minimum lease payments required under the capital and operating leases and the present value of the minimum lease payments at year-end:

<u>Year</u>	<u>Capital Lease</u>	<u>Operating Leases</u>
	<u>Business-Type</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
2013	\$ 8,500	\$ 8,000
2014	8,500	-
2015	8,500	-
Less: Amount representing interest	(2,634)	-
Present value of minimum lease payments	\$ <u>22,866</u>	\$ <u>8,000</u>

Rental expenditures related to operating leases for equipment totaled \$12,000 for governmental funds for the year ended December 31, 2012.

### **Note 10: Compensated Absences**

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

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

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2012**

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### **Note 11: Pension Plans**

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

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

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional pension plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800)-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2012, the members of all three plans were required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City contributed 14.0 percent of covered payroll.

The City's required contributions for pension obligations, excluding the healthcare portion, to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$726,816, \$707,772, and \$634,222, respectively. The full amount has been contributed for 2011 and 2010, while 88% has been contributed for 2012. Contributions to the member-directed plan for 2012 were \$6,192 made by the City of Twinsburg and \$4,423 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.

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 OP&F for police and firefighters were \$494,228 and \$557,648 for the year ended December 31, 2012, \$462,969 and \$551,462 for the year ended December 31, 2011, and \$468,642 and \$550,509 for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 70.80 percent for police and 71.00 percent for firefighters has been contributed for 2012 with the remainder being reported as a liability.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2012**

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### **Note 12: Postemployment Benefits**

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

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

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

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

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 E. Town St., Columbus, OH, 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement healthcare through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement healthcare benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14 percent of covered payroll and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of the postemployment healthcare benefits. The portion of employer contributions allocated to healthcare for members in the Traditional Plan was 4.0 percent during calendar year 2012. The portion of employer contributions allocated to healthcare for members in the Combined Plan was 6.05 percent during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the healthcare benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for healthcare for the years ended December 31, 2012, 2011, and 2010 were \$297,023, \$289,241, and \$360,065, respectively; 100 percent has been contributed for 2011 and 2010, while 88% has been contributed for 2012.

Changes to the healthcare plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved healthcare changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the healthcare fund after the end of the transition period.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2012**

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### **Note 12: Postemployment Benefits (continued)**

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

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 E. Town St., Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2012, the employer contribution allocated to healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F for police and fire for the years ending December 31, 2012, 2011, and 2010 were \$502,733, \$495,721, \$591,109, and \$551,921, \$550,509, \$483,660, respectively, of which \$174,023, \$171,596, \$166,249, and \$155,228, \$154,831, \$158,837, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2011 and 2010. For 2012, 70.80 percent for police and 71.00 percent for firefighters has been contributed, with the remainder being reported as a liability.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2012

### Note 13: Risk Management

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

The City continues to carry health insurance through Medical Mutual of Ohio. The City pays a monthly premium from the General Fund, Sewer Fund, Gleneagles Golf Fund, and Fitness Center Fund for each employee that varies according to which fund the employees' salary is paid. Incurred but not reported claims of \$148,969 have been accrued as a liability at December 31, 2012 based on an estimate by Medical Mutual.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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

The claims liability of \$148,969 reported in the funds at December 31, 2012, was estimated by reviewing current claims and is based on the requirements of GASB No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses.

Changes in the fund's claims liability amount were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2012	\$ 103,919	\$ 342,639	\$ 297,589	\$ 148,969
2011	79,973	314,555	290,609	103,919
2010	201,353	143,528	264,908	79,973
2009	-	461,055	259,702	201,353

### Note 14: Accountability

The following funds had total original appropriations in excess of estimated resources plus carryover balances, contrary to Section 5705.39, Ohio Revised Code.

	<u>Original Estimated Resources Plus Carryover Balances</u>	<u>Original Appropriations</u>	<u>Excess</u>
<b>Governmental Funds</b>			
<i>Special Revenue Funds:</i>			
Police Pension	\$ 463,754	\$ 519,965	\$ (56,211)
Fire Pension	427,295	519,980	(92,685)

The City had deficit balances in the following funds at December 31, 2012:

Police Pension	\$ 288,243
Fire Pension	281,187

These fund deficits are the result of the recognition of liabilities in accordance with general accepted accounting principles.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2012

### Note 15: Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Fire Pension</u>	<u>Police Pension</u>	<u>Park Debt</u>	<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable:							
Inventory	\$ 210,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,536
Unclaimed monies	<u>2,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,093</u>
Total nonspendable	<u>212,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,629</u>
Restricted for:							
Debt service payments	-	-	-	27,629	-	5,535	33,164
Streets & highways	-	-	-	-	-	2,094,856	2,094,856
Law enforcement education	-	-	-	-	-	35,216	35,216
Capital improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>455,105</u>	<u>-</u>	<u>455,105</u>
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,629</u>	<u>455,105</u>	<u>2,135,607</u>	<u>2,618,341</u>
Committed to:							
Capital improvements	-	-	-	-	3,223,676	-	3,223,676
Parks & Recreation	-	-	-	-	-	403,501	403,501
Glenwood Ohio Rotary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,352</u>	<u>74,352</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,223,676</u>	<u>477,853</u>	<u>3,701,529</u>
Assigned to:							
Other purposes	<u>147,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,710</u>
Total assigned	<u>147,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,710</u>
Unassigned (deficit)	<u>24,759,442</u>	<u>(281,187)</u>	<u>(288,243)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,190,012</u>
Total fund balance	\$ <u>25,119,781</u>	\$ <u>(281,187)</u>	\$ <u>(288,243)</u>	\$ <u>27,629</u>	\$ <u>3,678,781</u>	\$ <u>2,613,460</u>	\$ <u>30,870,221</u>

### Note 16: 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.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2012

### Note 17: Interfund Transfers

Interfund transfers for the year ended December 31, 2012, consisted of the following:

<u>Transfer to</u>	<u>Transfer From</u>		<u>Total</u>
	<u>General Fund</u>	<u>Governmental Activities</u>	
Fire Pension fund	\$ 394,184	\$ -	\$ 394,184
Police Pension fund	310,145	-	310,145
Non major governmental funds	1,098,606	-	1,098,606
Fitness Center fund	73,723	-	73,723
Business-type activities	-	<u>1,009,082</u>	<u>1,009,082</u>
Total transfers	\$ <u>1,876,658</u>	\$ <u>1,009,082</u>	\$ <u>2,885,740</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service.

The City had no transfers that do not occur on a regular basis except for the transfer from the governmental activities to the business-type activities. Contributions of capital assets of \$1,009,082 from the governmental activities to the business-type activities during 2012 are reported as transfers in the statement of activities. No transfers were inconsistent with the purpose of the fund making the transfer. In addition, each of the above transfers is in compliance with the Ohio Revised Code.

### Note 18: Other Significant Commitments

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds:

	<u>Encumbrances</u>
General fund	\$ 147,710
Capital improvement fund	324,957
Other governmental funds	<u>39,719</u>
Total Governmental	\$ <u>512,386</u>

Proprietary Funds:

Sewer fund	\$ 98,875
Fitness Center fund	<u>93,800</u>
Total Proprietary	\$ <u>192,675</u>

**CITY OF TWINSBURG  
SUMMIT COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Passed Through Ohio Department of Transportation</i>			
<u>Highway Planning and Construction</u>			
Widening of State Route 91	PID 85078	20.205	\$ 63,071
Resurfacing and base repair of Chamberling Road	PID 88535	20.205	388,102
Resurfacing and full depth base repairs on State Route 91	PID 90944	20.205	<u>274,999</u>
Total U.S. Department of Transportation			726,172
<b><u>U.S. DEPARTMENT OF ENERGY</u></b>			
<i>Passed Through Summit County</i>			
ARRA - 2011 Energy Efficiency and Conservation Block Grant	N/A	81.128	48,526
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<i>Direct Program:</i>			
Bulletproof Vest Partnership Program	N/A	16.607	3,008
<i>Passed Through Ohio Governor's Office of Criminal Justice Services</i>			
ARRA - Edward Byrne Memorial Justice Grant	2009-RA-A02-2301A	16.803	30,620
Edward Byrne Memorial Justice Grant	2011-JG-LLE-5902	16.738	5,000
	2010-JG-A02-6813	16.738	<u>10,838</u>
Total			15,838
Total U.S. Department of Justice			<u>49,466</u>
<b>Totals</b>			<b><u>\$ 824,164</u></b>

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF TWINSBURG  
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Twinsburg's (the City's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

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

To the Honorable Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, 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, Summit County, Ohio, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 23, 2013.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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***Entity's Response to Findings***

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 23, 2013



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Honorable Mayor and Members of Council:

### ***Report on Compliance for Each Major Federal Program***

We have audited the City of Twinsburg's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Twinsburg's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the City's major federal program.

### ***Management's Responsibility***

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the City's compliance for each of the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the City of Twinsburg complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

**Report on Internal Control Over Compliance**

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 23, 2013

**CITY OF TWINSBURG  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway planning and Construction Grant (CFDA 20.205)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**1. Financial Statement Adjustments**

<i>Finding Number</i>	2012-001
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MATERIAL WEAKNESS

The financial statements were adjusted to correct the following issues identified during our testing:

- The Police Pension Fund was initially improperly determined to be a non-major fund, included in Other Governmental Funds, when it should have been presented as a major fund.

**Finding number 2012-001 (Continued)**

- Property Taxes Receivable and Deferred Revenue were understated by \$66,805, \$13,362, and \$16,094 in the Park Debt Service Fund, Fire Pension Fund, and Police Pension Fund, respectively, due to the exclusion of delinquencies Collected but Not Distributed as confirmed by the Summit County Fiscal Office. The financial statements have been adjusted to reflect \$24,639, \$4,400, and \$4,400 respectively of the above stated adjustments.
- The City received several assets which were donated by developers, including roadways, water lines, storm sewers, sanitary sewers, and street lights, but were improperly removed from the related expense line-item upon capitalization, as no related donation revenue and expense were recorded. As a result, the Governmental Activities Community Development expense and the Capital Grants and Contributions were understated by \$401,358 for Road Inventory - Top, \$585,247 for Water Lines, \$731,809 for Road Inventory - Base; \$287,426 for Storm Sewers and \$19,199 for Street Lights. Additionally, the Sewer Fund and Business-Type Activity Community Development expense and Contributed Capital source were understated by \$274,960 for Sewer Lines.

To help ensure proper financial statement presentation and more accurate GAAP related estimates, the City and GAAP Conversion team should:

- Review the major fund determination worksheet to help ensure all major funds are properly included in the financial statements;
- Include all delinquent amounts noted by the County Fiscal Office in the Property Taxes Receivable and related estimate calculations;
- Record delinquent taxes as Property and Other Local Taxes revenue on the accrual basis of accounting;
- Include revenue and expense adjustments related to all donated assets;

**Official's Response:** In the past to ensure that audit deadlines were met –our GAAP conversion contracting audit firm would release their draft work papers to the auditing team before being reviewed by me and the chief auditor/partner. However, going forward-- the city will instruct the contracting auditing firm NOT to release any work papers in draft form to State Auditors or IPA firm until it has been reviewed/approved by the Engaging Partner and the city's Finance Director. This immediate change should help future audit processes go smoother.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None



# Dave Yost • 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  
OCTOBER 8, 2013**