

428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave  
Parkersburg, WV 26101  
304.422.2203

121 E Main St  
St. Clairsville, OH 43950  
740.695.1569



# PERRY & Associates

Certified Public Accountants, A.C.

**CITY OF TWINSBURG  
SUMMIT COUNTY  
Regular Audit  
For the Year Ended December 31, 2014**

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# Dave Yost • Auditor of State

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

We have reviewed the Independent Auditor's Report of the City of Twinsburg, Summit County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 26, 2015

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**CITY OF TWINSBURG  
SUMMIT COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

August 25, 2015

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

To the City Council:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2014, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Twinsburg, Summit County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and State Grant funds 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2015, 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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



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• Association of Certified Anti - Money Laundering Specialists •



**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2014*

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The discussion and analysis of the City of Twinsburg's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2014. 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 2014 are as follows:

- ◆ The assets and deferred outflows of resources of the City of Twinsburg exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$191,198,582. Of this amount, \$30,708,479 may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets and deferred outflows decreased by \$101,805, which represents a decrease of 0.05 percent over 2013. The primary change that contributed to this decrease was the decrease in cash and cash equivalents of \$1,336,978 and the decrease in municipal income taxes receivable of \$3,379,632. These increases were offset largely by an increase in capital assets, net depreciation of \$4,557,389.
- ◆ Total liabilities and deferred inflows of resources increased by \$93,330, which represents an increase of 0.48 percent over 2013. The main factor contributing to this increase was the increase of \$148,525 in accounts payable.
- ◆ In total, net position decreased by \$195,135 during 2014. This represents a less than 1 percent decrease from 2013.

**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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the four 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 municipal 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, 2014*

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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. Municipal 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, fitness center, golf course, 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 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, 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 system, fitness center and other business type 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 27 of this report.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2014*

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*Notes to the Financial Statements*

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

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

As noted earlier, the statement of net 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
- Deferred outflows of resources
- Liabilities
- Deferred inflows of resources
- Net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources)
- Program expenses and revenues
- General Revenues
- Net position beginning and end of year

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
For the Fiscal Year Ended December 31, 2014

Table 1 provides a summary of the City's net position for 2014 as compared to 2013.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets:</b>						
Current and other assets	\$ 38,361,293	\$ 42,659,706	\$ 2,927,471	\$ 3,266,936	\$ 41,288,764	\$ 45,926,642
Capital assets, net	<u>122,480,212</u>	<u>120,160,498</u>	<u>46,771,366</u>	<u>44,533,691</u>	<u>169,251,578</u>	<u>164,694,189</u>
Total assets	<u>160,841,505</u>	<u>162,820,204</u>	<u>49,698,837</u>	<u>47,800,627</u>	<u>210,540,342</u>	<u>210,620,831</u>
<b>Deferred outflows of resources:</b>						
Deferred charges on refunding	<u>149,216</u>	<u>170,532</u>	-	-	<u>149,216</u>	<u>170,532</u>
<b>Liabilities:</b>						
Current and other liabilities	1,897,562	1,769,007	631,861	450,511	2,529,423	2,219,518
Long-term liabilities:						
Due within one year	2,130,901	2,331,145	133,649	134,056	2,264,550	2,465,201
Due in more than one year	<u>13,076,822</u>	<u>13,024,139</u>	<u>570,492</u>	<u>598,812</u>	<u>13,647,314</u>	<u>13,622,951</u>
Total liabilities	<u>17,105,285</u>	<u>17,124,291</u>	<u>1,336,002</u>	<u>1,183,379</u>	<u>18,441,287</u>	<u>18,307,670</u>
<b>Deferred inflows of resources:</b>						
Property taxes	<u>1,049,689</u>	<u>1,089,976</u>	-	-	<u>1,049,689</u>	<u>1,089,976</u>
<b>Net position:</b>						
Net investment in capital assets	109,280,345	106,911,674	46,400,391	44,128,179	155,680,736	151,039,853
Restricted for:						
Unclaimed monies	820	1,385	-	-	820	1,385
Capital projects	2,644,170	2,798,763	-	-	2,644,170	2,798,763
Debt service	72,168	85,895	-	-	72,168	85,895
Other purposes	2,092,209	2,333,788	-	-	2,092,209	2,333,788
Unrestricted	<u>28,746,035</u>	<u>32,644,964</u>	<u>1,962,444</u>	<u>2,489,069</u>	<u>30,708,479</u>	<u>35,134,033</u>
Total net position	<u>\$ 142,835,747</u>	<u>\$ 144,776,469</u>	<u>\$ 48,362,835</u>	<u>\$ 46,617,248</u>	<u>\$ 191,198,582</u>	<u>\$ 191,393,717</u>

The largest portion (81.42 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, 2014, was \$155,680,736. 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 (2.52 percent) represents resources that have been restricted on how they may be used. The remaining balance of unrestricted net position \$30,708,479 may be used to meet the City's ongoing obligations to citizens and creditors.

Total net position of the City decreased \$195,135. The following factors were responsible for this decrease:

- A decrease in cash and cash equivalents of \$1,336,978.
- An increase in capital assets, net of \$4,557,389.
- A decrease in taxes receivable of \$3,379,632.
- An increase in accounts payable of \$148,525.
- A decrease in long-term debt of \$176,288.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2014*

The net position of our business-type activities increased by 3.74 percent in 2014. The City generally can only use the net position to finance the continuing operations of the sewer system, fitness center, golf course, 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 2013.

Table 2  
Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 2,666,383	\$ 3,046,058	\$ 5,437,687	\$ 4,994,057	\$ 8,104,070	\$ 8,040,115
Operating grants and contributions	36,795	25,554	-	-	36,795	25,554
Capital grants and contributions	6,417,353	1,409,545	486,372	463,815	6,903,725	1,873,360
Total program revenue	<u>9,120,531</u>	<u>4,481,157</u>	<u>5,924,059</u>	<u>5,457,872</u>	<u>15,044,590</u>	<u>9,939,029</u>
General revenues:						
Property and other local taxes	1,226,511	1,239,860	-	-	1,226,511	1,239,860
Municipal income taxes	19,498,390	27,931,865	-	-	19,498,390	27,931,865
Grants and entitlements (not restricted to specific programs)	1,900,831	1,939,843	-	-	1,900,831	1,939,843
Investment income	21,396	45,992	-	-	21,396	45,992
Miscellaneous income	87,188	68,834	-	-	87,188	68,834
Total general revenues	<u>22,734,316</u>	<u>31,226,394</u>	<u>-</u>	<u>-</u>	<u>25,369,638</u>	<u>31,226,394</u>
Total revenues	<u>31,854,847</u>	<u>35,707,551</u>	<u>5,924,059</u>	<u>5,457,872</u>	<u>40,414,228</u>	<u>41,165,423</u>
Program expenses:						
General government	3,782,280	6,834,677	-	-	3,782,280	6,834,677
Security of persons and property	8,719,995	8,552,594	-	-	8,719,995	8,552,594
Transportation	8,496,165	7,148,445	-	-	8,496,165	7,148,445
Leisure time activities	2,283,000	2,267,031	-	-	2,283,000	2,267,031
Community development	7,528,149	3,982,186	-	-	7,528,149	3,982,186
Basic utility services	13,758	12,225	-	-	13,758	12,225
Interest and fiscal charges	336,900	593,334	-	-	336,900	593,334
Sewer	-	-	3,806,876	4,769,812	3,806,876	4,769,812
Fitness center	-	-	1,821,770	1,622,192	1,821,770	1,622,192
Golf course	-	-	1,159,882	1,046,463	1,159,882	1,046,463
Other business-type activities	-	-	25,266	33,275	25,266	33,275
Total program expenses	<u>31,160,247</u>	<u>29,390,492</u>	<u>6,813,794</u>	<u>7,471,742</u>	<u>40,609,363</u>	<u>36,862,234</u>
Increase (decrease) in net position before transfers	694,600	6,317,059	(889,735)	(2,013,870)	(195,135)	4,303,189
Transfers	<u>(2,635,322)</u>	<u>(311,951)</u>	<u>2,635,322</u>	<u>311,951</u>	<u>-</u>	<u>-</u>
Change in net position	(1,940,722)	6,005,108	1,745,587	(1,701,919)	(195,135)	4,303,189
Net position, beginning of the year	<u>144,776,469</u>	<u>138,771,361</u>	<u>46,617,248</u>	<u>48,319,167</u>	<u>191,393,717</u>	<u>187,090,528</u>
Net position, end of the year	<u>\$ 142,835,747</u>	<u>\$ 144,776,469</u>	<u>\$ 48,362,835</u>	<u>\$ 46,617,248</u>	<u>\$ 191,198,582</u>	<u>\$ 191,393,717</u>

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2014*

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*Governmental Activities*

Several revenue sources fund our governmental activities with the City municipal income tax being the largest contributor. The City's municipal income tax rate decreased January 1, 2014 from 2.25 percent to 2.00 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 2.00 percent for municipal income taxes paid to their workplace municipality. During 2014, the revenues generated from municipal income tax collections amounted to \$19,498,390. 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, community development and general government are the major activities of the City generating 88 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 13 part-time fire fighters. Training plays a crucial role in the day-to-day operation of the fire department. Techniques such as defensive and emergency vehicle operations training, EMS continuing education classes, technical skills evaluation, practical drills, and on-line education help keep the men and women updated to perform their jobs most efficiently. There were 2,258 calls for assistance during 2014. The total cost of operating the fire and EMS department during 2014 was \$3,334,664 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 \$444,611 in revenue. The police department consists of 31 full-time sworn officers, 3 sworn part-time officers/jailers and a civilian support staff of 15 employees in the police department. During 2014, the total cost of operating the police department during 2014 was \$3,112,186 within the general fund. 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 decrease in transportation expense of \$1,347,720 from 2013 is attributed mostly to larger equipment purchases in 2013 than in the current year thereby causing an overall decrease in transportation expense.

Community Development expense accounted for \$7,528,149, or 22 percent, of the governmental expenses. Expenses for this program increased \$3,545,963 compared to 2013. The increase is due primarily to an increase in depreciation expense related to the increase in infrastructure assets from completed road and storm sewer improvements in 2013 and 2014.

*Business-Type Activities*

The business-type activities of the City, which include the City's sewer system, fitness center, golf course and community theater operations, increased the City's net position by \$1,745,587.

Program revenues exceeded program expenses in the amount of \$2,753 for the sewer system for 2014.

Program expenses exceeded program revenue in the amount of \$549,008 for the fitness center operations for 2014.

Program expenses exceeded program revenue in the amount of \$347,218 for the golf course operations for 2014.

Program revenues exceeded program expenses in the amount of \$3,738 for the other business-type activity operations for 2014.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2014*

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**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 \$41,915,171 and expenditures and other financing uses of \$42,891,903.

The net change in fund balance for the year was most significant in the general fund showing an decrease in fund balance of \$2,408,692 in 2014 which decreases the beginning fund balance of \$28,616,708 to \$26,208,016. The capital improvement capital projects fund reflected an increase of \$1,137,288. Overall the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

*General Fund Budgeting Highlights*

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. City Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held City Council meeting, which is open to the public; the budget is adopted by City Council. City 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 \$2,791,251 higher than the original budget estimates of \$23,439,425. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenue areas. The final budget estimates of revenue, including other financing sources, did not change from the original budget. The final appropriations of \$31,347,038, including other financing uses, was sufficient to meet the expenditures for the year, which ended up at \$28,719,663. The decrease was mainly due to lower actual general government, security of persons and property and community development expenditures compared to the final budgeted amounts. The final budget of expenditures, including other financing uses, increased \$827,306 from the original budget. The main cause of the increase was due to the City budgeting for additional transfers to the debt service funds to repay debt during the year.

The City's ending unobligated budgetary fund balance was \$2,657,482 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 27 through 30 of this report.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
For the Fiscal Year Ended December 31, 2014

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2014, the City of Twinsburg had \$169,251,578, invested in construction in progress, land and land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure, net of accumulated depreciation.

Table 3 shows fiscal 2014 balances of capital assets as compared to the 2013 balances:

Table 3  
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Construction in progress	\$ 1,047,627	\$ -	\$ 629,886	\$ 417,294	\$ 1,677,513	\$ 417,294
Land and land improvements	26,544,607	26,253,747	4,545,532	3,281,812	31,090,139	29,535,559
Buildings and improvements	10,251,747	10,202,122	24,189,578	24,140,797	34,441,325	34,342,919
Machinery and equipment	5,892,215	5,521,161	4,147,356	4,004,375	10,039,571	9,525,536
Vehicles	6,887,068	6,602,774	787,616	787,616	7,674,684	7,390,390
Infrastructure:						
Roads	57,359,029	56,407,852	-	-	57,359,029	56,407,852
Water mains	33,497,469	32,535,157	-	-	33,497,469	32,535,157
Storm sewers and culverts	36,578,305	35,329,639	-	-	36,578,305	35,329,639
Traffic signs and signals	1,551,851	1,406,813	-	-	1,551,851	1,406,813
Street lights	1,664,253	1,633,179	-	-	1,664,253	1,633,179
Sewer lines	-	-	33,121,234	31,388,775	33,121,234	31,388,775
Less: Accumulated depreciation	<u>(58,793,959)</u>	<u>(55,731,946)</u>	<u>(20,649,836)</u>	<u>(19,486,978)</u>	<u>(79,443,795)</u>	<u>(75,218,924)</u>
Total capital assets	<u>\$ 122,480,212</u>	<u>\$ 120,160,498</u>	<u>\$ 46,771,366</u>	<u>\$ 44,533,691</u>	<u>\$ 169,251,578</u>	<u>\$ 164,694,189</u>

The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as fire trucks and ambulances are planned for well in advance by the respective department heads and a scheduled maintenance and replacement time-table is followed to provide peak performance for the maximum time frame. Vehicles no longer in service are either traded in or sold at an auction or 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 City 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 Note 9 to the financial statements.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2014*

**Debt**

At December 31, 2014, the City of Twinsburg had \$15,911,864 in outstanding debt and compensated absences, of which \$8,568,486 was in general obligation bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4  
 Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 8,568,486	\$ 9,714,530	\$ -	\$ -	\$ 8,568,486	\$ 9,714,530
Special assessment bonds	173,000	194,000	-	-	173,000	194,000
ODOT loan refunding	-	270,000	-	-	-	270,000
Energy equipment loan payable	194,149	405,580	-	-	194,149	405,580
Snow plow vehicle loan payable	506,045	-	-	-	506,045	-
OPWC loans payable	3,796,189	2,615,405	298,339	304,834	4,094,528	2,920,239
Capital leases payable	111,214	219,841	72,636	100,678	183,850	320,519
Accrued compensated absences	1,858,640	1,935,928	333,166	327,356	2,191,806	2,263,284
Total	\$ <u>15,207,723</u>	\$ <u>15,355,284</u>	\$ <u>704,141</u>	\$ <u>732,868</u>	\$ <u>15,911,864</u>	\$ <u>16,088,152</u>

General obligation bonds are composed of park land and conservation, senior citizens center, golf course 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 snow plow vehicle loan is composed of vehicles purchased to provide residents with snow plow services. The OPWC loans are composed of road improvements.

Other obligations include accrued compensated absences and operating and capital lease obligations. Additional information concerning the City's debt can be found in Notes 10 and 11 to the financial statements.

**2014 Economic and Community Development Accomplishments**

***Job Growth***

In the last year a number of companies have opened their doors in Twinsburg while several existing companies have expanded facilities and/or added employees. FedEx will occupy a 307,000 square foot new package distribution center at Cornerstone Business Park (former Chrysler Stamping Plant site) and will bring more than 200 full and part-time employees to the site before the end of 2015. Also at Cornerstone Business Park, Scannell Properties is in the process of constructing a multi-tenant industrial building. A tire distribution operation with 15 new employees has already committed to the project and will lease 30,000 square foot of the 203,000 square foot area of the building. Windstream continues to add employees to their 1925 Enterprise Parkway facility. Envision Pharmaceuticals/RxOptions continues to have strong employee growth. With more than 375 employees the company has outgrown its Vantage Office Park space and expanded into the former Windstream building on Canyon Falls Blvd. Giesecke & Devrient America Inc. expanded its parking facilities and made internal modifications to enable it to expand its processes last year. Safran USA also expanded its parking area last year to enable it to add more employees. We are seeing growth in employment from them this year as a result. As the economy continues to improve we expect to see increased employment and increased income tax revenue.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2014*

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***New Buildings***

Building activity includes a mix of new and expanded buildings. New buildings include the 307,000 square foot FedEx building and the 203,000 square foot speculative multi-tenant industrial building at Cornerstone Business Park, the Sussex Memory Care facility off Darrow Road (61,600 square foot), Mirka Abrasives Company on Enterprise Parkway, and the Montessori School on Twin Hills Drive.

Building expansions have been completed or are underway at 2377 Enterprise Parkway for Keltec (20,000 square foot), at G.E. Energy's Darrow Road facility (1,200 square foot), and at 2150 Highland Road for General Die Casters (86,700 square foot).

***Cornerstone Business Park***

The former Chrysler Stamping Plant has been totally removed from the site and all mitigation completed by Scannell Properties, the owner. They are currently in the process of constructing the main business park entry off of E. Aurora Road and are completing remaining infrastructure improvements at the 167-acre site. Even after the construction of FedEx, the speculative multi-tenant building, and Vistar's distribution facility, more than 80-acres of developable land will remain. As infrastructure and buildings are completed there will certainly be increased interest in the site by prospective companies. The City and developer are currently seeking certification of the Cornerstone Business Park as an Ohio "Jobs Ready Site." This certification will place the property as a priority site for evaluation by site selectors through the State of Ohio's Jobs Ohio network.

***Comprehensive Plan Update***

The update of City's comprehensive plan was completed last year. The comprehensive plan provides an analysis of existing conditions, assessments of problems and opportunities and provides recommendations to address community development goals. This document is important in that it provides a policy and objectives that helps the City focus efforts and expenditures in ways that provide a maximum benefit to the community. This particular update included an emphasis on the City's central area around Twinsburg Square. The City is now in the process of implementing various recommendations. A Community Improvement Corporation has been formed to assist with property assembly and to encourage investment. This area will continue to be the focus of effort for several years in the future.

***New and Expanding Businesses in 2014***

The following businesses have either established themselves in the community in 2014 or expanded their operation in the City during this year:

- Giesecke & Devriant
- Mirka Abrasives
- Sanfran USA
- G.E. Energy
- Keltec, Inc.
- General Die Casters
- GenoScientific Molecular Diagnostics Laboratory
- P3 Infrastructure
- Stuff n Puffs
- High Tech Battery Solutions
- Home Care Diversified Holdings LLC
- Joseph, Mann and Creed Debt Collections
- Express Employment
- Cross Fit Training
- Shasti Pizza Company

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2014*

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- Affordable Flowers and Events
- Imagine That
- Twinsburg Health Mart
- Discover Hearing Solutions
- Hair Glam Studio
- Real Gospel Church
- Euphoric Day Spa
- Champion Personnel Systems
- Parker and Stroom Orthodontics
- Tomorrows Home Solutions
- Flex-Team Inc.
- Mainstream Software, Inc.
- Schill Grounds Management
- DaVita Dialysis
- Salon Ameche, Inc.
- Lauden Title, LLC
- Havanna's Choice Cigars
- G.R.A.S. Sound and Vibration
- Scotwire, LLC

**Current Related Financial Activities**

The City of Twinsburg, in the past, faced some challenging financial years; however with the development of the Cornerstone Project and the addition of several new businesses in the City, we have begun to see growth in employment. As the economy continues to improve we expect to see increased employment and increased income tax revenue. On a cash basis, the municipal income tax revenue represents 87 percent of the City's total general fund revenue. The net income collections (gross collections less refunds) for 2014 were \$22,878,022 compared to 2013 collections of \$25,058,791. This reflects a decrease over last year of 8.70 percent.

As a result of the quarter percent rate decrease to the City's municipal income tax in 2014; the City collected \$2,180,769 less in municipal income tax revenue than in the prior year.

The City continues to operate lean and under budget. With the award of several grants to help support the cost of major capital projects, the City was able to end the year strongly. The general fund 2014 unassigned year balance was \$20,046,754. From 2010 to 2014 the City's general fund beginning balance grew from \$13,943,003 to \$29,975,702. This reflects a 114 percent growth increase.

In an effort to maintain healthy balances, the City created a reserve fund in 2014. This reserve fund is for employee's payouts such as accrued sick time, vacation and compensation time earnings. The City plans to create another reserve fund that will be a stabilization reserve fund for emergency matters in times of revenue fluctuations. Based on the City's strong financial conditions, the City does not anticipate a need to increase the municipal income tax rate in the future.

The City's current credit rating assigned by Moody's is Aa2. The Aa2 rating was reaffirmed in March of 2011 due to the demonstrations of financial stability and the ability to capitalize on development opportunities. The City's system of budgeting and internal controls is well regarded. As a continued effort to stay above the economic challenges, the Administration and City 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 for the future.

**City of Twinsburg**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended December 31, 2014*

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**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, 2014**

	Governmental Activities	Business- Type Activities	Total	Component Unit Twinsburg Community Improvement Corporation
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 32,136,783	\$ 2,210,716	\$ 34,347,499	\$ -
Cash held as fiscal agent	-	-	-	383,698
Restricted cash	821	-	821	-
Accounts receivable	76,666	562,239	638,905	-
Accrued interest receivable	214	-	214	-
Intergovernmental receivable	1,156,227	-	1,156,227	-
Municipal income taxes receivable	3,661,762	-	3,661,762	-
Property taxes receivable	1,112,032	-	1,112,032	-
Contribution receivable	-	-	-	88,938
Special assessments receivable	1,194	18,708	19,902	-
Materials and supplies inventory	215,594	135,808	351,402	-
Nondepreciable capital assets	24,314,024	3,311,036	27,625,060	-
Depreciable capital assets, net	<u>98,166,188</u>	<u>43,460,330</u>	<u>141,626,518</u>	<u>-</u>
Total assets	<u>160,841,505</u>	<u>49,698,837</u>	<u>210,540,342</u>	<u>472,636</u>
<b>Deferred outflows of resources:</b>				
Deferred charges on refunding	<u>149,216</u>	<u>-</u>	<u>149,216</u>	<u>-</u>
<b>Liabilities:</b>				
Accounts payable	405,428	251,431	656,859	-
Accrued wages and benefits	527,857	125,611	653,468	-
Intergovernmental payable	720,229	72,058	792,287	-
Claims payable	204,513	55,359	259,872	-
Accrued interest payable	39,535	1,406	40,941	-
Unearned revenue	-	125,996	125,996	-
<b>Long-term liabilities:</b>				
Due within one year	2,130,901	133,649	2,264,550	-
Due in more than one year	<u>13,076,822</u>	<u>570,492</u>	<u>13,647,314</u>	<u>-</u>
Total liabilities	<u>17,105,285</u>	<u>1,336,002</u>	<u>18,441,287</u>	<u>-</u>
<b>Deferred inflows of resources:</b>				
Property taxes	<u>1,049,689</u>	<u>-</u>	<u>1,049,689</u>	<u>-</u>
<b>Net position:</b>				
Net investment in capital assets	109,280,345	46,400,391	155,680,736	-
<b>Restricted for:</b>				
Unclaimed monies	820	-	820	-
Capital projects	2,644,170	-	2,644,170	-
Debt service	72,168	-	72,168	-
Other purposes	2,092,209	-	2,092,209	300,000
Unrestricted	<u>28,746,035</u>	<u>1,962,444</u>	<u>30,708,479</u>	<u>172,636</u>
Total net position	<u>\$ 142,835,747</u>	<u>\$ 48,362,835</u>	<u>\$ 191,198,582</u>	<u>\$ 472,636</u>

The accompanying notes are an integral part of the financial statements.

# City of Twinsburg, Ohio

## Statement of Activities

### For The Year Ended December 31, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 3,782,280	\$ 1,309,881	\$ -	\$ 4,039,737
Security of persons and property	8,719,995	556,740	36,795	-
Transportation	8,496,165	-	-	344,097
Leisure time activities	2,283,000	356,988	-	35,274
Community development	7,528,149	442,774	-	1,998,245
Basic utility service	13,758	-	-	-
Interest and fiscal charges	336,900	-	-	-
Total governmental activities	<u>31,160,247</u>	<u>2,666,383</u>	<u>36,795</u>	<u>6,417,353</u>
Business-type activities:				
Sewer	3,806,876	3,323,257	-	486,372
Fitness center	1,821,770	1,272,762	-	-
Golf course	1,159,882	812,664	-	-
Community theater	25,266	29,004	-	-
Total business-type activities	<u>6,813,794</u>	<u>5,437,687</u>	<u>-</u>	<u>486,372</u>
Total	\$ <u>37,974,041</u>	\$ <u>8,104,070</u>	\$ <u>36,795</u>	\$ <u>6,903,725</u>
Component unit:				
Twinsburg Community Improvement Corporation	\$ <u>477</u>	\$ <u>7,932</u>	\$ <u>388,938</u>	\$ <u>-</u>

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

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Twinsburg Community Improvement Corporation
\$ 1,567,338	\$ -	\$ 1,567,338	\$ -
(8,126,460)	-	(8,126,460)	-
(8,152,068)	-	(8,152,068)	-
(1,890,738)	-	(1,890,738)	-
(5,087,130)	-	(5,087,130)	-
(13,758)	-	(13,758)	-
(336,900)	-	(336,900)	-
<u>(22,039,716)</u>	<u>-</u>	<u>(22,039,716)</u>	<u>-</u>
-	2,753	2,753	-
-	(549,008)	(549,008)	-
-	(347,218)	(347,218)	-
-	3,738	3,738	-
-	<u>(889,735)</u>	<u>(889,735)</u>	<u>-</u>
<u>(22,039,716)</u>	<u>(889,735)</u>	<u>(22,929,451)</u>	<u>-</u>
-	-	-	<u>396,393</u>
473,656	-	473,656	-
752,855	-	752,855	-
19,498,390	-	19,498,390	-
1,900,831	-	1,900,831	-
21,396	-	21,396	-
87,188	-	87,188	3
<u>(2,635,322)</u>	<u>2,635,322</u>	<u>-</u>	<u>-</u>
<u>20,098,994</u>	<u>2,635,322</u>	<u>22,734,316</u>	<u>3</u>
(1,940,722)	1,745,587	(195,135)	396,396
<u>144,776,469</u>	<u>46,617,248</u>	<u>191,393,717</u>	<u>76,240</u>
\$ <u>142,835,747</u>	\$ <u>48,362,835</u>	\$ <u>191,198,582</u>	\$ <u>472,636</u>

# City of Twinsburg, Ohio

## Balance Sheet Governmental Funds

**December 31, 2014**

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	<u>General</u>	<u>State Grant</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 25,733,768	\$ -
Restricted cash	821	-
Accounts receivable	76,666	-
Accrued interest receivable	214	-
Intergovernmental receivable	182,096	49,440
Interfund receivable	103,587	-
Municipal income taxes receivable	3,661,762	-
Property taxes receivable	-	-
Special assessment receivable	1,194	-
Materials and supplies inventory	<u>215,594</u>	<u>-</u>
Total assets	\$ <u>29,975,702</u>	\$ <u>49,440</u>
Liabilities, deferred inflows of resources and fund balances:		
Liabilities:		
Accounts payable	\$ 157,054	\$ -
Accrued wages and benefits	271,484	-
Intergovernmental payable	570,469	-
Interfund payable	-	74,090
Claims payable	<u>204,513</u>	<u>-</u>
Total liabilities	<u>1,203,520</u>	<u>74,090</u>
Deferred inflows of resources:		
Property taxes	-	-
Unavailable revenue	<u>2,564,166</u>	<u>-</u>
Total deferred inflows of resources	<u>2,564,166</u>	<u>-</u>
Fund balances (deficit):		
Nonspendable	216,414	-
Restricted	-	-
Committed	-	-
Assigned	5,944,848	-
Unassigned	<u>20,046,754</u>	<u>(24,650)</u>
Total fund balances (deficit)	<u>26,208,016</u>	<u>(24,650)</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>29,975,702</u>	\$ <u>49,440</u>

The accompanying notes are an integral part of the financial statements.

<u>Park Debt Service</u>	<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 52,459	\$ 4,160,868	\$ 2,189,688	\$ 32,136,783
-	-	-	821
-	-	-	76,666
-	-	-	214
87,558	40,000	797,133	1,156,227
-	-	-	103,587
-	-	-	3,661,762
788,138	-	323,894	1,112,032
-	-	-	1,194
-	-	-	215,594
<u>\$ 928,155</u>	<u>\$ 4,200,868</u>	<u>\$ 3,310,715</u>	<u>\$ 38,464,880</u>
\$ -	\$ 248,374	\$ -	\$ 405,428
-	-	256,373	527,857
-	-	149,760	720,229
-	-	29,497	103,587
-	-	-	204,513
<u>-</u>	<u>248,374</u>	<u>435,630</u>	<u>1,961,614</u>
743,953	-	305,736	1,049,689
<u>131,743</u>	<u>-</u>	<u>284,425</u>	<u>2,980,334</u>
<u>875,696</u>	<u>-</u>	<u>590,161</u>	<u>4,030,023</u>
-	-	-	216,414
52,459	-	1,939,561	1,992,020
-	-	377,545	377,545
-	3,952,494	-	9,897,342
-	-	(32,182)	19,989,922
<u>52,459</u>	<u>3,952,494</u>	<u>2,284,924</u>	<u>32,473,243</u>
<u>\$ 928,155</u>	<u>\$ 4,200,868</u>	<u>\$ 3,310,715</u>	<u>\$ 38,464,880</u>

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# City of Twinsburg, Ohio

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

**December 31, 2014**

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Total governmental fund balances \$ 32,473,243

*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 122,480,212

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

Property and other taxes	\$ 62,343
Municipal income taxes	2,411,408
Special assessments	1,194
Charges for services	43,499
Intergovernmental	<u>461,890</u>

Total 2,980,334

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (39,535)

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

General obligation bonds	(8,568,486)
Special assessment bonds	(173,000)
Energy Equipment loan payable	(194,149)
Snow plow vehicle loan payable	(506,045)
OPWC loan payable	(3,796,189)
Capital lease payable	(111,214)
Accrued compensated absences	<u>(1,858,640)</u>

Total (15,207,723)

Deferred charges on refunding related to the issuance of long-term refunding debt that will be amortized over the life of the debt on the statement of net position. 149,216

Net position of governmental activities \$ 142,835,747

The accompanying notes are an integral part of the financial statements.

# City of Twinsburg, Ohio

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

### For The Year Ended December 31, 2014

	<u>General</u>	<u>State Grant</u>
Revenues:		
Property and other taxes	\$ 336	\$ -
Municipal income tax	22,867,654	-
Other local taxes	160,441	-
Intergovernmental	451,926	4,039,737
Charges for services	1,307,196	-
License and permits	327,088	-
Fines and forfeitures	113,649	-
Investment income	21,396	-
Miscellaneous income	895,833	-
Total revenues	<u>26,145,519</u>	<u>4,039,737</u>
Expenditures:		
Current operations and maintenance:		
General government	5,880,728	-
Security of persons and property	7,282,558	-
Transportation	5,016,237	-
Leisure time activities	919,503	-
Community development	1,719,775	-
Basic utility service	93,879	-
Capital outlay	-	5,276,971
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
Total expenditures	<u>20,912,680</u>	<u>5,276,971</u>
Excess of revenues over (under) expenditures	<u>5,232,839</u>	<u>(1,237,234)</u>
Other financing sources (uses):		
Issuance of debt	-	1,212,584
Transfers – in	-	-
Transfers – out	(7,641,531)	-
Total other financing sources (uses)	<u>(7,641,531)</u>	<u>1,212,584</u>
Net change in fund balances	(2,408,692)	(24,650)
Fund balance beginning of year	<u>28,616,708</u>	<u>-</u>
Fund balance (deficit) end of year	\$ <u>26,208,016</u>	\$ <u>(24,650)</u>

The accompanying notes are an integral part of the financial statements.

<u>Park Debt Service</u>	<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 752,855	\$ -	\$ 309,392	\$ 1,062,583
-	-	-	22,867,654
-	-	-	160,441
87,564	124,000	1,821,256	6,524,483
-	-	41,207	1,348,403
-	-	-	327,088
-	-	-	113,649
-	-	-	21,396
-	624	34,355	930,812
<u>840,419</u>	<u>124,624</u>	<u>2,206,210</u>	<u>33,356,509</u>
-	28,500	300,000	6,209,228
-	-	1,108,731	8,391,289
-	-	1,510,087	6,526,324
-	-	35,068	954,571
-	-	-	1,719,775
-	-	13,758	107,637
-	3,576,278	333,896	9,187,145
630,000	108,627	1,046,420	1,785,047
207,724	-	155,136	362,860
<u>837,724</u>	<u>3,713,405</u>	<u>4,503,096</u>	<u>35,243,876</u>
<u>2,695</u>	<u>(3,588,781)</u>	<u>(2,296,886)</u>	<u>(1,887,367)</u>
-	548,234	-	1,760,818
-	4,177,835	2,620,009	6,797,844
-	-	(6,496)	(7,648,027)
-	<u>4,726,069</u>	<u>2,613,513</u>	<u>910,635</u>
2,695	1,137,288	316,627	(976,732)
<u>49,764</u>	<u>2,815,206</u>	<u>1,968,297</u>	<u>33,449,975</u>
\$ <u>52,459</u>	\$ <u>3,952,494</u>	\$ <u>2,284,924</u>	\$ <u>32,473,243</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, 2014

Net change in fund balances - total governmental funds \$ (976,732)

*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	\$ 6,406,631	
Depreciation	<u>(3,967,854)</u>	2,438,777

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. (119,063)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property and other local taxes	(16,467)	
Municipal income taxes	(3,369,264)	
Special assessment	834	
Charges for services	(52,992)	
Intergovernmental	<u>26,708</u>	(3,411,181)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,785,048

Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.

Snow plow vehicle loan proceeds	(506,045)	
OPWC loan proceeds	<u>(1,254,773)</u>	(1,760,818)

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.

Accrued compensated absences	77,288	
Amortization of premium	46,044	
Amortization of loss on refunding	(21,317)	
Accrued interest on bonds	<u>1,232</u>	<u>103,247</u>

*Change in net position of governmental activities* \$ (1,940,722)

The accompanying notes are an integral part of the 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, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ 336	\$ 336
Municipal income taxes	20,000,000	22,878,022	22,878,022	-
Other local taxes	181,990	179,414	177,876	(1,538)
Intergovernmental	531,235	512,857	519,225	6,368
Charges for services	1,328,663	1,304,745	1,298,626	(6,119)
License and permits	334,654	304,065	327,088	23,023
Fines and forfeitures	119,564	114,268	116,861	2,593
Investment income	22,478	21,790	21,971	181
Other	920,841	915,515	920,778	5,263
Total revenue	<u>23,439,425</u>	<u>26,230,676</u>	<u>26,260,783</u>	<u>30,107</u>
<b>Expenditures:</b>				
Current:				
General government	6,767,871	6,163,923	5,786,651	377,272
Security of property and persons	7,874,269	7,874,269	7,328,506	545,763
Transportation	4,959,685	4,999,685	4,844,422	155,263
Leisure time activities	1,082,623	1,082,623	920,143	162,480
Community development	2,064,526	2,443,002	2,104,531	338,471
Basic utility services	<u>125,000</u>	<u>125,000</u>	<u>93,879</u>	<u>31,121</u>
Total expenditures	<u>22,873,974</u>	<u>22,688,502</u>	<u>21,078,132</u>	<u>1,610,370</u>
Excess of revenues over (under) expenditures	565,451	3,542,174	5,182,651	1,640,477
<b>Other financing sources (uses):</b>				
Transfers – out	<u>(7,645,758)</u>	<u>(8,658,536)</u>	<u>(7,641,531)</u>	<u>1,017,005</u>
Change in fund balance	(7,080,307)	(5,116,362)	(2,458,880)	2,657,482
Prior year encumbrances at year-end	430,505	430,505	430,505	-
Fund balance at the beginning of the year	<u>27,386,001</u>	<u>27,386,001</u>	<u>27,386,001</u>	<u>-</u>
Fund balance at the end of the year	\$ <u>20,736,199</u>	\$ <u>22,700,144</u>	\$ <u>25,357,626</u>	\$ <u>2,657,482</u>

The accompanying notes are an integral part of the financial statements.

# City of Twinsburg, Ohio

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

State Grant Fund

**December 31, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 5,265,415	\$ 3,990,297	\$ (1,275,118)
Expenditures:				
Current:				
Capital Outlay	<u>5,200,000</u>	<u>6,477,999</u>	<u>5,243,646</u>	<u>1,234,353</u>
Excess of revenues over (under) expenditures	<u>(5,200,000)</u>	<u>(1,212,584)</u>	<u>(1,253,349)</u>	<u>(40,765)</u>
Other financing sources:				
Loan proceeds	<u>-</u>	<u>1,212,584</u>	<u>1,212,584</u>	<u>-</u>
Net change in fund balance	(5,200,000)	-	(40,765)	(40,765)
Prior year encumbrances	-	-	-	-
Fund balance, beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of the year	\$ <u><u>(5,200,000)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(40,765)</u></u>	\$ <u><u>(40,765)</u></u>

The accompanying notes are an integral part of the financial statements.

# City of Twinsburg, Ohio

## Statement of Fund Net Position Proprietary Funds

**December 31, 2014**

	Business-Type Activities				Total
	Sewer	Fitness Center	Golf Course	Other Business-Type	
<b>Assets:</b>					
<b>Current assets:</b>					
Equity in pooled cash and cash equivalents	\$ 1,471,649	\$ 338,119	\$ 314,760	\$ 86,188	\$ 2,210,716
Accounts receivable	554,173	8,066	-	-	562,239
Special assessments receivable	18,708	-	-	-	18,708
Materials and supplies inventory	109,315	-	26,493	-	135,808
Total current assets	<u>2,153,845</u>	<u>346,185</u>	<u>341,253</u>	<u>86,188</u>	<u>2,927,471</u>
<b>Non-current assets:</b>					
Nondepreciable capital assets	661,036	-	2,650,000	-	3,311,036
Depreciable capital assets, net	<u>33,196,722</u>	<u>8,168,075</u>	<u>2,095,533</u>	<u>-</u>	<u>43,460,330</u>
Total non-current assets	<u>33,857,758</u>	<u>8,168,075</u>	<u>4,745,533</u>	<u>-</u>	<u>46,771,366</u>
Total assets	<u>36,011,603</u>	<u>8,514,260</u>	<u>5,086,786</u>	<u>86,188</u>	<u>49,698,837</u>
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	215,212	523	35,696	-	251,431
Accrued wages and benefits	125,611	-	-	-	125,611
Intergovernmental payable	49,538	22,520	-	-	72,058
Claims payable	31,176	11,204	12,979	-	55,359
Accrued interest payable	-	-	1,406	-	1,406
Unearned revenue	-	125,996	-	-	125,996
Due within one year	<u>69,331</u>	<u>14,268</u>	<u>50,050</u>	<u>-</u>	<u>133,649</u>
Total current liabilities	<u>490,868</u>	<u>174,511</u>	<u>100,131</u>	<u>-</u>	<u>765,510</u>
<b>Long-term liabilities (net of current portion):</b>					
Capital lease payable	-	-	43,621	-	43,621
Loan payable	288,178	-	-	-	288,178
Compensated absences	<u>171,309</u>	<u>31,479</u>	<u>35,905</u>	<u>-</u>	<u>238,693</u>
Total long-term liabilities	<u>459,487</u>	<u>31,479</u>	<u>79,526</u>	<u>-</u>	<u>570,492</u>
Total liabilities	<u>950,355</u>	<u>205,990</u>	<u>179,657</u>	<u>-</u>	<u>1,336,002</u>
<b>Net position:</b>					
Net investment in capital assets	33,559,419	8,168,075	4,672,897	-	46,400,391
Unrestricted (deficit)	<u>1,501,829</u>	<u>140,195</u>	<u>234,232</u>	<u>86,188</u>	<u>1,962,444</u>
Total net position	<u>\$ 35,061,248</u>	<u>\$ 8,308,270</u>	<u>\$ 4,907,129</u>	<u>\$ 86,188</u>	<u>\$ 48,362,835</u>

The accompanying notes are an integral part of the financial statements.

# City of Twinsburg, Ohio

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

### For The Year Ended December 31, 2014

	Business-Type Activities				Total
	Sewer	Fitness Center	Golf Course	Other Business-Type	
Operating revenues:					
Charges for services	\$ 3,323,257	\$ 1,265,106	\$ 812,664	\$ 15,957	\$ 5,416,984
Miscellaneous income	-	7,656	-	13,047	20,703
Total operating revenues	<u>3,323,257</u>	<u>1,272,762</u>	<u>812,664</u>	<u>29,004</u>	<u>5,437,687</u>
Operating expenses:					
Personal services	2,103,744	1,121,000	629,072	-	3,853,816
Materials and supplies	329,013	119,887	203,458	17,158	669,516
Contractual services	565,100	258,122	279,863	8,108	1,111,193
Depreciation	805,739	316,688	48,102	-	1,170,529
Total operating expenses	<u>3,803,596</u>	<u>1,815,697</u>	<u>1,160,495</u>	<u>25,266</u>	<u>6,805,054</u>
Operating income (loss)	<u>(480,339)</u>	<u>(542,935)</u>	<u>(347,831)</u>	<u>3,738</u>	<u>(1,367,367)</u>
Non-operating revenue (expenses):					
Loss on capital asset disposal	(3,211)	(6,073)	-	-	(9,284)
Interest and fiscal charges	(69)	-	613	-	544
Total non-operating revenues (expenses)	<u>(3,280)</u>	<u>(6,073)</u>	<u>613</u>	<u>-</u>	<u>(8,740)</u>
Income (loss) before transfers and contributed capital	(483,619)	(549,008)	(347,218)	3,738	(1,376,107)
Transfers – in	56,495	496,000	443,781	-	996,276
Transfers – out	(146,093)	-	-	-	(146,093)
Capital contributions	<u>935,930</u>	<u>65,391</u>	<u>1,270,190</u>	<u>-</u>	<u>2,271,511</u>
Change in net position	362,713	12,383	1,366,753	3,738	3,121,694
Net position beginning of year	<u>34,698,535</u>	<u>8,295,887</u>	<u>3,540,376</u>	<u>82,450</u>	<u>46,617,248</u>
Net position end of year	\$ <u>35,061,248</u>	\$ <u>8,308,270</u>	\$ <u>4,907,129</u>	\$ <u>86,188</u>	\$ <u>48,362,835</u>

The accompanying notes are an integral part of the financial statements.

# City of Twinsburg, Ohio

## Statement of Cash Flows Proprietary Funds

### For The Year Ended December 31, 2014

	Business-Type Activities				
	Sewer	Fitness Center	Golf Course	Other Business-Type	Total
Cash flows from operating activities:					
Cash received from customers	\$ 3,265,376	\$ 1,263,617	\$ 812,664	\$ 15,957	\$ 5,357,614
Cash payments for personal services	(2,073,053)	(1,117,504)	(611,387)	-	(3,801,944)
Cash payments for contractual services	(468,346)	(252,606)	(244,915)	(8,108)	(973,975)
Cash payments to vendors for supplies and materials	(313,212)	(119,887)	(229,951)	(17,158)	(680,208)
Cash received for other operating activities	-	7,656	-	13,047	20,703
Net cash provided by (used in) operating activities	<u>410,765</u>	<u>(218,724)</u>	<u>(273,589)</u>	<u>3,738</u>	<u>(77,810)</u>
Cash flows from capital and related financing activities:					
Principal paid on capital lease	-	-	(28,042)	-	(28,042)
Principal paid on OPWC loan	(6,495)	-	-	-	(6,495)
Miscellaneous fiscal charges	(69)	-	-	-	(69)
Proceed from OPWC loan	119,990	-	-	-	119,990
Payments for capital acquisitions	<u>(1,069,882)</u>	<u>(76,095)</u>	<u>-</u>	<u>-</u>	<u>(1,145,977)</u>
Net cash used in capital and related financing activities	<u>(956,456)</u>	<u>(76,095)</u>	<u>(28,042)</u>	<u>-</u>	<u>(1,060,593)</u>
Cash flows from noncapital financing activities:					
Transfers – in	56,495	496,000	443,781	-	996,276
Transfers – out	<u>(146,093)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(146,093)</u>
Net cash provided by (used in) noncapital financing activities	<u>(89,598)</u>	<u>496,000</u>	<u>443,781</u>	<u>-</u>	<u>850,183</u>
Net increase (decrease) in cash and cash equivalents	(635,289)	201,181	142,150	3,738	(288,220)
Cash and cash equivalents, beginning of year	<u>2,106,938</u>	<u>136,938</u>	<u>172,610</u>	<u>82,450</u>	<u>2,498,936</u>
Cash and cash equivalents, end of year	\$ <u><u>1,471,649</u></u>	\$ <u><u>338,119</u></u>	\$ <u><u>314,760</u></u>	\$ <u><u>86,188</u></u>	\$ <u><u>2,210,716</u></u>

(Continued)

The accompanying notes are an integral part of the financial statements.

# City of Twinsburg, Ohio

## Statement of Cash Flows (Continued)

### Proprietary Funds

#### **For The Year Ended December 31, 2014**

	Business-Type Activities				Total
	Sewer	Fitness Center	Golf Course	Other Business-Type	
Reconciliation of operating income (loss) to net cash from operating activities:					
Operating income (loss)	\$ <u>(480,339)</u>	\$ <u>(542,935)</u>	\$ <u>(347,831)</u>	\$ <u>3,738</u>	\$ <u>(1,367,367)</u>
Adjustments:					
Depreciation	805,739	316,688	48,102	-	1,170,529
(Increase) decrease in assets:					
Accounts receivable	(53,212)	(172)	-	-	(53,384)
Materials and supplies inventory	15,801	-	(26,493)	-	(10,692)
Special assessments receivable	(4,669)	-	-	-	(4,669)
Increase (decrease) in liabilities:					
Accounts payable	96,754	249	34,948	-	131,951
Accrued wages and benefits	15,510	-	-	-	15,510
Intergovernmental payable	4,737	5,267	-	-	10,004
Claims payable	9,681	5,886	10,248	-	25,815
Unearned revenue	-	(1,317)	-	-	(1,317)
Accrued compensated absences payable	763	(2,390)	7,437	-	5,810
Total adjustments	<u>891,104</u>	<u>324,211</u>	<u>74,242</u>	<u>-</u>	<u>1,289,557</u>
Net cash provided by (used in) operating activities:	\$ <u><u>410,765</u></u>	\$ <u><u>(218,724)</u></u>	\$ <u><u>(273,589)</u></u>	\$ <u><u>3,738</u></u>	\$ <u><u>(77,810)</u></u>
Noncash capital activities:					
Capital contributions from governmental activities	\$ 935,930	\$ 65,391	\$ 1,270,190	\$ -	\$ 2,271,511
Loss on sale of capital asset	(3,211)	(6,073)	-	-	(9,284)
Net OPWC loan due to receivable	<u>(119,990)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(119,990)</u>
Total noncash capital activities	\$ <u><u>812,729</u></u>	\$ <u><u>59,318</u></u>	\$ <u><u>1,270,190</u></u>	\$ <u><u>-</u></u>	\$ <u><u>2,142,237</u></u>

The accompanying notes are an integral part of the financial statements.

# City of Twinsburg, Ohio

## Notes to Basic Financial Statements

### **For The Year Ended December 31, 2014**

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

The City of Twinsburg (the “City”) 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. Based on this criteria, the City has one component unit.

The Twinsburg Community Improvement Corporation (“TCIC”) is a not-for-profit corporation to advance, encourage, and promote the industrial, commercial, civic, and economic development of Twinsburg, Ohio, under the applicable sections of the Ohio Revised Code. The City has agreed to provide 50 percent of the Transient Guest Tax funds the City collects and receives annually to the TCIC. Since this funding represents a significant portion of TCIC revenue, the organization is fiscally dependent on the City and therefore is considered a component unit of the City and is discretely presented in the City’s financial statements. See Note 19 for specific disclosures relating to the TCIC.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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

#### 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 energy. NOPEC is currently comprised of 134 members in 174 communities in 10 counties who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

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 ten-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 2014. Financial information can be obtained by contacting NOPEC, 31320 Solon Rd, Suite 20, Solon, Ohio 44139.

### **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. 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, 2014**

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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. Non-major 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 deferred outflows of resources and liabilities and deferred inflows of resources 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.

*State Grant Fund* – The state grant fund accounts for Ohio Public Works Commission (OPWC) proceeds received and expensed in the current year related to the Commission's portion of OPWC capital improvement projects maintained by the City.

*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.

*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.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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

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

*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.

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

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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total 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 deferred outflows of resources and current liabilities and deferred inflows of resources 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. The governmental fund financial statements therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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

#### ***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 inflows/outflows of resources, 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 municipal income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal 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: municipal income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, licenses and permits, interest, grants and rentals.

#### *Unearned Revenue*

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

#### *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position may include a section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be a recognized as inflow of resources (revenue) until that time.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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

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

For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance fiscal year 2015 operations.

These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, special assessments, EMS charges for services, and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

#### *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. 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. City 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 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, 2014**

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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 2014. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2014.

##### *Annual Estimate*

The Mayor, with the assistance of the Finance Director, is required by Charter to submit to City 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 City 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 City Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by City Council. City 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 City Council must remain fixed unless amended by City Council ordinance. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within City Council's appropriated amount.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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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 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. Interest revenue credited to the general fund during 2014 amounted to \$21,396.

#### ***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, 2014, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

#### ***I. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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

#### ***I. Capital Assets (continued)***

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. 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 enterprise 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>
Land improvements	5 to 50 years
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. See note 17 for further discussion on the City's interfund balances.

#### ***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.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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

#### ***K. Compensated Absences (continued)***

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. Payables, 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 deferred outflows of resources and liabilities and deferred inflows of resources. 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 limitations are imposed on its 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.

#### ***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.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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

#### ***P. Deferred Charge on Refunding***

The difference between the reacquisition price (funds required to refund the old debt) of various refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

#### ***Q. Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

#### ***R. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014.

#### ***S. Estimates***

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

#### ***T. Capital Contributions***

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 2014, the sewer fund, fitness center fund and golf course fund received contributions of capital in the amount of \$935,930, \$65,391 and \$1,270,190, respectively from governmental activities.

#### ***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.

***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).

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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

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

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: Changes in Accounting Principle**

For 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 69 establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. The implementation of this statement did not result in any change in the City's financial statements.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2014

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

GASB Statement No. 70 establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e. nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. These changes were incorporated into the City's financial statements; however, there was no effect on the beginning net position/fund balance.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014. The City has not determined the impact, if any, that this Statement will have on its financial statements or disclosures.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* The requirements of this Statement should be applied simultaneously with the provisions of Statement 68. The City has not determined the impact, if any, that this Statement will have on its 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 budgetary basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are treated as expenditures (budgetary 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 and state grant fund.

	<u>General</u>	<u>State Grant</u>
GAAP basis	\$ (2,408,692)	\$ (24,650)
Increase (decrease) due to:		
Revenue accruals	115,264	(49,440)
Expenditure accruals	(646,002)	(7,440)
Outstanding encumbrances	<u>480,550</u>	<u>40,765</u>
Budgetary basis	<u>\$ (2,458,880)</u>	<u>\$ (40,765)</u>

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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

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

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

Inactive deposits are monies identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2014

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

#### *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 (FDIC), by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of City funds shall be required to pledge as security for repayment of all public moneys.

At year-end, the carrying amount of the City's deposits was \$2,333,320 and the bank balance was \$4,794,360. Of the bank balance, \$1,300,000 was covered by FDIC. The remaining uncovered balance was collateralized with securities held by the pledging institution's trust department, not in the City's name.

#### *Investments*

Investments are reported at fair value. As of December 31, 2014, the City had the following investments:

	<u>Fair Value</u>	<u>Maturities Less than One Year</u>
Repurchase Agreements	\$ <u>32,015,000</u>	\$ <u>32,015,000</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's 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 the 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, 2014**

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### **Note 6: Receivables**

Receivables at December 31, 2014 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 and public utility property located in the City. Real property taxes collected in 2014 are levied after October 1, 2013, on assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes collected in 2014 were intended to finance 2014 operations.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88 percent of cost). Public utility property taxes paid in 2014 that became a lien on December 31, 2013, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

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

The full tax rate for all City operations for the year ended December 31, 2014, was \$2.06 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

	<u>Total Assessed Value</u>
Real Property Valuation:	
Residential/Agriculture	\$ 410,080,520
Commercial/Industrial/Mineral	149,723,070
Public Utilities	29,290
Tangible Personal Property Valuation:	
Public Utilities	<u>9,695,390</u>
Total Valuation	\$ <u>569,528,270</u>

Real Property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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

The City levies and collects a municipal income tax of 2.00 percent 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 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold municipal 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.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2014

**Note 6: Receivables (continued)**

**C. Intergovernmental Receivables**

A summary of intergovernmental receivables follows:

Governmental activities:

Local government and local government revenue assistance	\$	675,478
CAT tax		9,978
Homestead and rollback		123,540
Gasoline and excise tax and state highway distributions		336,225
Permissive motor vehicle license tax		<u>11,006</u>
Total governmental activities	\$	<u><u>1,156,227</u></u>

**Note 7: Accountability**

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

<b>Governmental Funds</b>	Original Estimated Resources Plus <u>Carryover Balances</u>	Original <u>Appropriations</u>	<u>Excess</u>
<i>Special Revenue Funds:</i>			
State Grant	\$ -	\$ 5,200,000	\$ (5,200,000)

The state grant fund accounts for Ohio Public Works Commission (OPWC) proceeds received and expensed in the current year. The excess noted above is due to the timing of when reimbursement for the OPWC project expenditures appropriated were received.

The City had deficit balances in the following funds at December 31, 2014:

State Grant	\$	24,650
Fire Pension		32,182

The fire pension fund deficit is the result of the recognition of liabilities in accordance with general accepted accounting principles. The state grant fund deficit is the result of the City awaiting reimbursement for OPWC funds spent in the current year. The state grant fund deficit is allowable within compliance requirements due to the reimbursable nature of the OPWC funds.

**Note 8: 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, 2014

#### Note 9: Capital Assets

Capital asset activity for government the year ended December 31, 2014, was as follows:

	Balance 12/31/13	Additions	Disposals	Balance 12/31/14
<i>Governmental Activities:</i>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 3,049,581	\$ (2,001,954)	\$ 1,047,627
Land	<u>23,266,397</u>	<u>-</u>	<u>-</u>	<u>23,266,397</u>
Total capital assets not being depreciated	<u>23,266,397</u>	<u>3,049,581</u>	<u>(2,001,954)</u>	<u>24,314,024</u>
Capital assets being depreciated				
Land improvements	2,987,350	290,860	-	3,278,210
Buildings and improvements	10,202,122	49,625	-	10,251,747
Machinery and equipment	5,521,161	407,255	(36,201)	5,892,215
Vehicles	6,602,774	372,692	(88,398)	6,887,068
Infrastructure:				
Roads	56,407,852	1,848,826	(897,649)	57,359,029
Water mains	32,535,157	962,312	-	33,497,469
Storm sewers and culverts	35,329,639	1,248,666	-	36,578,305
Traffic signs and signals	1,406,813	145,038	-	1,551,851
Streetlights	<u>1,633,179</u>	<u>33,730</u>	<u>(2,656)</u>	<u>1,664,253</u>
Total capital assets being depreciated	<u>152,626,047</u>	<u>5,359,004</u>	<u>(1,024,904)</u>	<u>156,960,147</u>
Less accumulated depreciation:				
Land improvements	(1,391,134)	(91,282)	-	(1,482,416)
Buildings and improvements	(3,953,071)	(205,478)	-	(4,158,549)
Machinery and equipment	(4,041,053)	(238,450)	36,201	(4,243,302)
Vehicles	(3,907,942)	(373,139)	80,300	(4,200,781)
Infrastructure:				
Roads	(24,563,145)	(1,982,414)	787,218	(25,758,341)
Water mains	(6,118,473)	(335,164)	-	(6,453,637)
Storm sewers and culverts	(9,874,311)	(612,293)	-	(10,486,604)
Traffic signs and signals	(767,680)	(69,393)	-	(837,073)
Streetlights	<u>(1,115,137)</u>	<u>(60,241)</u>	<u>2,122</u>	<u>(1,173,256)</u>
Total accumulated depreciation	<u>(55,731,946)</u>	<u>(3,967,854)</u>	<u>905,841</u>	<u>(58,793,959)</u>
Net capital assets being depreciated	<u>96,894,101</u>	<u>1,391,150</u>	<u>(119,063)</u>	<u>98,166,188</u>
Governmental activities capital assets, net	<u>\$ 120,160,498</u>	<u>\$ 4,440,731</u>	<u>\$ (2,121,017)</u>	<u>\$ 122,480,212</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 66,483
Security of persons and property	463,300
Transportation	2,259,241
Leisure time activities	200,242
Community development	<u>978,588</u>
Total depreciation expense	<u>\$ 3,967,854</u>

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2014

### Note 9: Capital Assets (continued)

	<u>Balance</u> 12/31/13	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/14
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 417,294	\$ 1,598,934	\$ (1,386,342)	\$ 629,886
Land	<u>2,681,150</u>	<u>-</u>	<u>-</u>	<u>2,681,150</u>
Total capital assets not being depreciated	<u>3,098,444</u>	<u>1,598,934</u>	<u>(1,386,342)</u>	<u>3,311,036</u>
Capital assets being depreciated:				
Land improvements	600,662	1,263,720	-	1,864,382
Buildings and improvements	24,140,797	48,781	-	24,189,578
Machinery and equipment	4,004,375	156,231	(13,250)	4,147,356
Vehicles	787,616	-	-	787,616
Infrastructure:				
Sewer lines	<u>31,388,775</u>	<u>1,736,164</u>	<u>(3,705)</u>	<u>33,121,234</u>
Total capital assets being depreciated	<u>60,922,225</u>	<u>3,204,896</u>	<u>(16,955)</u>	<u>64,110,166</u>
Less accumulated depreciation:				
Land improvements	(31,290)	(14,030)	-	(45,320)
Buildings and improvements	(9,544,727)	(544,561)	-	(10,089,288)
Machinery and equipment	(2,385,726)	(129,541)	7,177	(2,508,090)
Vehicles	(321,971)	(44,701)	-	(366,672)
Infrastructure:				
Sewer lines	<u>(7,203,264)</u>	<u>(437,696)</u>	<u>494</u>	<u>(7,640,466)</u>
Total accumulated depreciation	<u>(19,486,978)</u>	<u>(1,170,529)</u>	<u>7,671</u>	<u>(20,649,836)</u>
Net capital assets being depreciated	<u>41,435,247</u>	<u>2,034,367</u>	<u>(9,284)</u>	<u>43,460,330</u>
Total business-type activities capital assets, net	\$ <u>44,533,691</u>	\$ <u>3,633,301</u>	\$ <u>(1,395,626)</u>	\$ <u>46,771,366</u>

### Note 10: Long-Term Obligations

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

	<u>Original Issue</u> <u>Date</u>	<u>Original Interest</u> <u>Rate</u>	<u>Issue</u> <u>Amount</u>
<i>Governmental Activities:</i>			
General obligation bonds:			
Park land and conservation refunding	2011A	2.00% - 4.88%	\$ 6,455,000
ODOT loan, senior citizens center, and golf course refunding	2011B	2.00% - 4.25%	3,115,000
Darrow Road improvement refunding	2013	2.20%	1,888,500

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2014

### Note 10: Long-Term Obligations (continued)

	<u>Original Issue Date</u>	<u>Original Interest Rate</u>	<u>Issue Amount</u>
<i>Governmental Activities (continued):</i>			
Special Assessment Bonds:			
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
Energy equipment loan payable	2009	4.38%	902,008
OPWC loans:			
Edgewood Road improvements	2008	0.00%	344,925
Haverhill and Croyden Road improvements	2009	0.00%	347,170
Post Road improvements	2010	0.00%	895,653
Sunview Drive improvements	2012	0.00%	631,912
Cobblestone Lane and Old Pond Lane improvements	2013	0.00%	499,000
Warren Parkway improvements	2014	0.00%	288,000
Darrow Road sanitary sewer replacement	2014	0.00%	211,000
Westwood Drive improvements	2014	0.00%	778,999
<i>Business-Type Activities:</i>			
OPWC loans:			
Darrow Road improvements	2012	0.00%	84,834
Belmeadow Drive and Serene Court	2013	0.00%	220,000

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2014 was as follows:

	<u>Balance 12/31/13</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/14</u>	<u>Due in One Year</u>
<i>Governmental Activities:</i>					
General obligation bonds:					
Park land and conservation refunding due through 2021	\$ 5,095,000	\$ -	\$ (630,000)	\$ 4,465,000	\$ 660,000
Senior citizens center and golf course refunding due through 2021	2,550,000	-	(295,000)	2,255,000	300,000
Darrow Road improvement refunding due through 2022	1,730,000	-	(175,000)	1,555,000	180,000
Premium on general obligation bonds	<u>339,530</u>	<u>-</u>	<u>(46,044)</u>	<u>293,486</u>	<u>-</u>
Total general obligation bonds	<u>9,714,530</u>	<u>-</u>	<u>(1,146,044)</u>	<u>8,568,486</u>	<u>1,140,000</u>
Special assessment bonds:					
Darrow/Chamberlin, due through 2015	6,000	-	(3,000)	3,000	3,000
Liberty/Cannon/Chamberlin/Ravenna due through 2023	150,000	-	(15,000)	135,000	15,000
Chamberlin Waterline due through 2025	<u>38,000</u>	<u>-</u>	<u>(3,000)</u>	<u>35,000</u>	<u>3,000</u>
Total special assessment bonds	<u>194,000</u>	<u>-</u>	<u>(21,000)</u>	<u>173,000</u>	<u>21,000</u>

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2014

### Note 10: Long-Term Obligations (continued)

	Balance <u>12/31/13</u>	Issued	Retired	Balance <u>12/31/14</u>	Due in <u>One Year</u>
<i>Governmental Activities (continued):</i>					
Other long-term obligations:					
ODOT loan refunding	270,000	-	(270,000)	-	-
Energy equipment loan payable	405,580	-	(211,431)	194,149	139,879
Snow plow vehicles loan payable	-	506,045	-	506,045	164,746
OPWC – CH10L Edgewood Road improvements	321,930	-	(11,498)	310,432	11,498
OPWC – CH19M Haverhill and Croyden Road improvements	324,026	-	(11,572)	312,454	11,572
OPWC – CH04N Post Road improvements	880,726	-	(29,855)	850,871	29,855
OPWC – CH02O Sunview Drive improvements	631,912	-	(21,064)	610,848	21,064
OPWC – CH06P Cobblestone Lane and Old Pond Lane improvements	456,811	42,189	-	499,000	16,633
OPWC – CH09Q Warren Parkway improvements	-	256,096	-	256,096	-
OPWC – CH04P Darrow Road sanitary sewer replacement	-	177,489	-	177,489	-
OPWC – CH11Q Westwood Drive improvements	-	778,999	-	778,999	-
Capital lease payable	219,841	-	(108,627)	111,214	111,214
Accrued compensated absences	<u>1,935,928</u>	<u>546,231</u>	<u>(623,519)</u>	<u>1,858,640</u>	<u>463,440</u>
Total other long-term obligations	<u>5,446,754</u>	<u>2,307,049</u>	<u>(1,287,566)</u>	<u>6,466,237</u>	<u>969,901</u>
Total governmental activities	\$ <u>15,355,284</u>	\$ <u>2,307,049</u>	\$ <u>(2,454,610)</u>	\$ <u>15,207,723</u>	\$ <u>2,130,901</u>
	Balance <u>12/31/13</u>	Issued	Retired	Balance <u>12/31/14</u>	Due in <u>One Year</u>
<i>Business-Type Activities:</i>					
OPWC – CH04P Darrow Road improvements	\$ 84,834	\$ -	\$ (2,828)	\$ 82,006	\$ 2,828
OPWC – CH05P Belmeadow/Serene Ct.	220,000	-	(3,667)	216,333	7,333
Capital leases payable	100,678	-	(28,042)	72,636	29,015
Accrued compensated absences	<u>327,356</u>	<u>105,330</u>	<u>(99,520)</u>	<u>333,166</u>	<u>94,473</u>
Total business-type activities	\$ <u>732,868</u>	\$ <u>105,330</u>	\$ <u>(134,057)</u>	\$ <u>704,141</u>	\$ <u>133,649</u>

# City of Twinsburg, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2014

#### **Note 10: Long-Term Obligations (continued)**

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2014 were as follows:

#### Governmental Activities

Year	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>Snow Plow Vehicles &amp; Energy Equipment 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>	
2015	\$ 1,140,000	\$ 300,497	\$ 21,000	\$ 8,791	\$ 304,625	\$ 24,515	\$ 90,622	\$ 1,890,050
2016	1,155,000	262,637	18,000	7,720	222,921	14,484	90,622	1,771,384
2017	1,195,000	223,892	18,000	6,805	172,648	4,092	90,622	1,711,059
2018	1,230,000	179,999	18,000	5,890	-	-	90,622	1,524,511
2019	1,295,000	84,716	18,000	4,976	-	-	90,622	1,493,314
2020-2024	2,260,000	121,354	76,000	11,149	-	-	453,110	2,921,613
2025-2029	-	-	4,000	200	-	-	453,110	457,310
2030-2034	-	-	-	-	-	-	453,110	453,110
2035-2039	-	-	-	-	-	-	453,110	453,110
2040-2044	-	-	-	-	-	-	318,055	318,055
	<u>\$ 8,275,000</u>	<u>\$ 1,173,095</u>	<u>\$ 173,000</u>	<u>\$ 45,531</u>	<u>\$ 700,194</u>	<u>\$ 43,091</u>	<u>\$ 2,583,605</u>	<u>\$12,993,516</u>

#### Business-Type Activities

Year	<u>OPWC</u> <u>Principal</u>
2015	\$ 10,161
2016	10,161
2017	10,161
2018	10,161
2019	10,161
2020-2024	50,805
2025-2029	50,805
2030-2034	50,805
2035-2039	50,805
2040-2044	44,314
	<u>\$ 298,339</u>

As of December 31, 2014, the City's future governmental activities and business-type debt service requirements consisted of bonds payable at various interest rates, ten non-interest bearing Ohio Public Works Commission Loans numbered CH10L, CH19M, CH04N, CH02O, CH06P, CH09Q, CH04P, CH11Q, CH04P and CH05P, capital leases and compensated absences.

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.

# City of Twinsburg, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2014

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#### **Note 10: Long-Term Obligations (continued)**

OPWC loans will be paid semi-annually from the bond retirement debt service fund. These loans are repaid with municipal income tax monies.

Compensated absences will be paid from the fund which the employees' salaries are paid. Ohio Department of Transportation loan (ODOT) will be paid from the bond retirement debt service fund. See Note 11 for further detail on capital leases.

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 municipal income tax monies.

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, 2014, \$7,489,373 of the defeased bonds and loan are still outstanding.

On April 16, 2013, the City issued \$1,888,500 in general obligation bonds for the purpose of refunding various general obligation bonds in order to take advantage of lower interest rates. An analysis of the information follows:

		2003
		Darrow Road
		<u>Acquisition</u>
Outstanding at December 31, 2012	\$	1,840,000
Amount refunded		<u>(1,840,000)</u>
Outstanding at December 31, 2013	\$	<u>          -</u>

Proceeds of \$1,888,500 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various general obligation bonds. As a result, \$1,840,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the City's financial statements.

The City decreased its total debt service payments by \$201,638 as a result of the refunding. The City also incurred an economic gain (difference between the present value of the old and new debt service payments) of \$181,151.

During 2013, the City obtained an OPWC loan for the Cobblestone Lane and Old Pond Lane reconstruction in the amount of \$499,000, payable in semi-annual payments of \$8,317, at zero percent interest for 30 years. The amounts are included in the amortization table above.

At December 31, 2014, the City obtained partial proceeds for the Ohio Public Works Commission ("OPWC") loans related to the Darrow Road sanitary sewer replacement project, the Warren Parkway improvement project, and Westwood Drive improvement project. The loans will be repaid in semi-annual principal payments. The City has not collected the total proceeds of the loans, and as a result, the debt maturity schedule above does not reflect any amounts for the principal or interest. When the loans are finalized, the principal and interest will be included in the annual debt maturity schedule above.

During 2014, the City entered into a loan agreement with First Merit bank for the purchase of three snow plow vehicles in the amount of \$506,045, payable in annual combined principal and interest payments of \$176,740. The amounts are included in the amortization table above. This loan will be paid back from municipal income tax monies.

# City of Twinsburg, Ohio

## Notes to Basic Financial Statements

### For The Year Ended December 31, 2014

#### **Note 11: 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 34,159, leaving a current book value of \$307,431 for equipment. Principal payments in the current year totaled \$108,627; the City had interest expense for these leases totaled \$5,236 in the current year.

Business-type capital assets acquired by these leases have been capitalized as equipment in the amount of \$147,600, accumulated depreciation as of December 31, 2014, for the equipment was \$14,760, leaving a current book value of \$132,840 for equipment. Principal payments in the current year totaled \$28,042; the City had interest expense of \$3,139 for these leases in the current year.

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

Year	Operating Lease		Capital Leases	
	Governmental Lease Payments		Governmental Lease Payments	Business-Type Lease Payments
2015	\$ 8,000		\$ 113,863	\$ 31,182
2016	-		-	22,681
2017	-		-	22,682
Total minimum lease payments	8,000		113,863	76,545
Less: amount representing interest	-		(2,649)	(3,909)
Present value of minimum lease payments	\$ 8,000		\$ 111,214	\$ 72,636

Rental expenditures related to operating leases for equipment totaled \$16,000 for governmental funds for the year ended December 31, 2014.

#### **Note 12: 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 Ohio Public Employment Retirement System (OPERS) employees and 1,740 hours for Ohio Police and Fire Pension Fund (OP&F) employees, upon retirement from the City, and 30 years of service for OPERS 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, 2014**

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### **Note 13: 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 pension 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 percent 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. 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 pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>; by writing to OPERS at 277 East Town Street, Columbus, Ohio, 43215-4642; or by calling (614) 222-5601 or 800-222-7377.

For 2014, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2014, the members of all three plans were required to contribute 10.0 percent of their annual earnable salaries to fund pension obligations. The City contributed 14.0 percent of earnable salaries, of which 2.0 percent was used to fund health care coverage for retirees for both traditional pension plan combined plan members. The contribution rate is determined actuarially. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations, excluding the health care portion, to the traditional pension and combined plans for the years ended December 31, 2014, 2013, and 2012 were \$969,659, \$992,064, and \$726,816, respectively. The full amount has been contributed for 2013 and 2012, while 92.70 percent has been contributed for 2014. Contributions to the member-directed plan for 2014 were \$19,065 made by the City of Twinsburg and \$13,618 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. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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### **Note 13: Pension Plans (continued)**

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

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. The City of Twinsburg's contributions to the OP&F for police and firefighters were \$506,040 and \$601,107 for the year ended December 31, 2014, \$521,566 and \$590,444 for the year ended December 31, 2013, and \$494,228 and \$557,648 for the year ended December 31, 2012. The full amount has been contributed for 2013 and 2012. 91.30 percent for police and 91.70 percent for firefighters has been contributed for 2014 with the remainder being reported as a liability.

### **Note 14: Post-Employment Benefits**

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the plan statement in the OPERS 2013 CAFR for details.

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 the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>; by writing OPERS at 227 E. Town St., Columbus, Ohio, 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 health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of earnable salaries. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent earnable salaries for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of the post-employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 2.0 percent during calendar year 2014.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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### **Note 14: Post-Employment Benefits (continued)**

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

Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0 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 health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care for the years ended December 31, 2014, 2013, and 2012 were \$161,534, \$76,280, and \$297,023, respectively; 100 percent has been contributed for 2013 and 2012, while 92.70 percent has been contributed for 2014.

Changes to the health care 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 health care changes, OPERS expects to be able to consistently allocate 4.0 percent of the employer contributions toward the health care fund after the end of the transition period.

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

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 E. Town St., Columbus, Ohio 43215-5164. 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 health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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### **Note 14: Post-Employment Benefits (continued)**

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2014 thru December 31, 2014. The amount of employer contributions allocated to the health care plan each year is subject to the Board 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 health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's total contributions to OP&F for police and fire for the years ending December 31, 2014, 2013, and 2012 were \$506,040, \$521,566, \$502,733, and \$601,107, \$590,444, \$551,921, respectively, of which \$13,157, \$93,991, \$174,023, and \$12,623, \$87,183, \$155,228, respectively, was allocated to the health care plan. The full amount has been contributed for 2013 and 2012. For 2014, 91.30 percent for police and 91.70 percent for firefighters has been contributed, with the remainder being reported as a liability.

### **Note 15: 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 (Medical Mutual). 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 \$259,872 have been accrued as a liability at December 31, 2014 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 \$259,872 reported in the funds at December 31, 2014, 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.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2014

### Note 15: Risk Management (continued)

Changes in the fund's claims liability amount were:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2014	\$ 132,264	\$ 472,008	\$ 344,400	\$ 259,872
2013	148,969	281,090	297,795	132,264
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

### Note 16: Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>State</u> <u>Grant</u>	<u>Park</u> <u>Debt Service</u>	<u>Capital</u> <u>Improvement</u>	<u>Other</u> <u>Governmental</u>	<u>Total</u> <u>Governmental</u>
Nonspendable:						
Inventory	\$ 215,594	\$ -	\$ -	\$ -	\$ -	\$ 215,594
Unclaimed monies	820	-	-	-	-	820
Total nonspendable	<u>216,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,414</u>
Restricted for:						
Debt service payments	-	-	52,459	-	19,709	72,168
Capital improvements	-	-	-	-	48,244	48,244
Streets & highways	-	-	-	-	1,719,813	1,719,813
Law enforcement education	-	-	-	-	151,795	151,795
Total restricted	<u>-</u>	<u>-</u>	<u>52,459</u>	<u>-</u>	<u>1,939,561</u>	<u>1,992,020</u>
Committed to:						
Parks & Recreation	-	-	-	-	377,545	377,545
Assigned to:						
Capital improvements	-	-	-	3,952,494	-	3,952,494
Subsequent year's budget:						
Appropriation of fund balances	5,486,727	-	-	-	-	5,486,727
Purchases on order	458,121	-	-	-	-	458,121
Total assigned	<u>5,944,848</u>	<u>-</u>	<u>-</u>	<u>3,952,494</u>	<u>-</u>	<u>9,897,342</u>
Unassigned (deficit)	<u>20,046,754</u>	<u>(24,650)</u>	<u>-</u>	<u>-</u>	<u>(32,182)</u>	<u>19,989,922</u>
Total fund balance (deficit)	<u>\$ 26,208,016</u>	<u>\$ (24,650)</u>	<u>\$ 52,459</u>	<u>\$ 3,952,494</u>	<u>\$ 2,284,924</u>	<u>\$ 32,473,243</u>

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## For The Year Ended December 31, 2014

**Note 17: Interfund Activity**

**A.** Interfund transfers for the year ended December 31, 2014, consisted of the following:

Transfer to:	<u>Transfer From</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Tap and Use Fee Fund</u>
Capital improvement fund	\$ 4,031,741	\$ 1	\$ 146,093
Sewer fund	50,000	6,495	-
Fitness center fund	496,000	-	-
Golf course fund	443,781	-	-
Other governmental funds	<u>2,620,009</u>	<u>-</u>	<u>-</u>
Total transfers	\$ <u>7,641,531</u>	\$ <u>6,496</u>	\$ <u>146,093</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 and to provide additional resources for current operations or debt service.

The City also closed two funds in the current year and the remaining balance was transferred to the capital improvement fund to fund related capital projects. The City had no other transfers that do not occur on a regular basis. 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.

**B.** Interfund balances at December 31, 2014, consist of the following interfund receivable and payables:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>		<u>Total</u>
	<u>State Grant Fund</u>	<u>Non-Major Governmental Funds</u>	
General	\$ 74,090	\$ 29,497	\$ 103,587

The interfund receivables and payables listed above result from a difference in the timing of when expenses are recognized in accordance with generally accepted accounting principles and when the related interfund subsidies are budgeted for payment on a cash basis.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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### **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:

	<u>Encumbrances</u>
Governmental Funds:	
General fund	\$ 458,121
State grant fund	40,765
Capital improvement fund	976,290
Other governmental funds	<u>347,923</u>
Total Governmental	\$ <u><u>1,823,099</u></u>
Proprietary Funds:	
Sewer fund	\$ <u><u>397,921</u></u>

### **Note 19: Discretely Presented Component Unit**

#### **Note A. Nature of Operations**

The Twinsburg Community Improvement Corporation (the "TCIC") was incorporated as a not-for-profit organization in the State of Ohio, on July 1, 2013. The mission of the TCIC is to advance, encourage, and promote the industrial, economic, commercial, distribution, research and civic development of the City of Twinsburg. The TCIC's basic programs include economic development and community development activities and the City of Twinsburg has designated the TCIC to as its agent for the Community Reinvestment Area and Twinsburg Occupancy programs.

#### **Note B. Summary of Significant Accounting Policies**

##### **Basis of Accounting**

The TCIC accounts for its revenues and related expenses on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Revenues are reported in the year earned. Costs and expenses are charged against revenues in the year to which the cost is applicable.

##### **Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, the TCIC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The TCIC does not have any permanently restricted net assets.

##### **Income Tax Status**

The TCIC has filed for exemption from Federal income taxes as described under Internal Revenue Code (IRC) 501(c)(3). Therefore, no provision for income tax has been recorded in the accompanying financial statements.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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### **Note 19: Discretely Presented Component Unit (continued)**

#### **Note B. Summary of Significant Accounting Policies (continued)**

Accounting principles generally accepted in the United States require management to evaluate tax positions taken by the TCIC and recognize a tax liability (or asset) if the TCIC has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the TCIC, and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The TCIC is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The TCIC's Federal Return of Organization from Income Tax (federal Form 990) for 2014 is subject to examination by the IRS, generally for three years after filing.

#### **Estimates**

In preparing financial statements in conformity with GAAP, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the TCIC considers all highly liquid instruments purchased with maturity of three months or less to be cash equivalents.

#### **Receivables**

Receivables are stated at the amount management expects to collect from outstanding balances. It is the TCIC's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

#### **Expense Allocation**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates. Administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the TCIC.

#### **Restricted and Unrestricted Revenue**

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Unless specifically restricted by the donor, all contributions and grants are considered to be available for unrestricted use in the activities of the TCIC.

The Board of Trustees has discretionary control of the unrestricted net assets to use in the activities of the TCIC.

# City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

## **For The Year Ended December 31, 2014**

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**Note 19: Discretely Presented Component Unit (continued)**

**Note C. Concentration**

The TCIC maintains its cash at a local financial institution. The account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2014, the TCIC's uninsured cash balance totaled \$133,698.

For the year ended December 31, 2014, the TCIC received 98% of its revenue from the City of Twinsburg.

**Note D. Temporarily Restricted Net Assets**

	<u>2014</u>
Donation from the City of Twinsburg for the purpose of performing actions and responding to land assembly opportunities	\$ <u>300,000</u>
Total Temporarily Restricted Net Assets	\$ <u>300,000</u>

**Note E. Subsequent Events**

Management has evaluated events subsequent to the date of the financial statements through August 25, 2015, which is the date the financial statements were available to be issued.



428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave  
Parkersburg, WV 26101  
304.422.2203

121 E Main St  
St. Clairsville, OH 43950  
740.695.1569

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

August 25, 2015

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

To the City 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Twinsburg**, Summit County, (the City) as of and for the year ended December 31, 2014, 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 25, 2015.

***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 opinions 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### **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*.

### **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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



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**CITY OF TWINSBURG  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2013-001	Capital Assets	Yes	N/A



# 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  
NOVEMBER 5, 2015**