

**CITY OF TWINSBURG
SUMMIT COUNTY
Single Audit
For the Year Ended December 31, 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the City of Twinsburg, Summit County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2010 through December 31, 2010. 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

November 3, 2011

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**CITY OF TWINSBURG
SUMMIT COUNTY**

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Perry & Associates
Certified Public Accountants, A.C.
www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT ACCOUNTANTS' REPORT

August 18, 2011

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

To the Honorable Mayor and Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Twinsburg**, Summit County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twinsburg, Summit County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America requires this presentation to include Management's discussion and analysis, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2010

The discussion and analysis of the City of Twinsburg's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2010. 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 2010 are as follows:

- ◆ The assets of the City of Twinsburg exceeded its liabilities at the close of the most recent fiscal year by \$178,559,810. Of this amount, \$16,096,876 may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets increased by \$3,213,107, which represents an increase of 1.63 percent over 2009. The primary change that contributed to this increase was the increase in cash and cash equivalents of \$3,466,581.
- ◆ Total liabilities decreased by \$109,945, which represents a decrease of less than 1 percent over 2009. The main factor that contributed to this decrease was the decrease of \$313,454 in long term liabilities.
- ◆ In total, net assets increased by \$3,323,052 during 2010. This represents a 1.90 percent increase from 2009.

Using this Annual Financial Report

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

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

Statement of Net Assets and the Statement of Activities

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

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2010

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

- **Governmental activities:** most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Income tax, state and county taxes, licenses, permits and charges for services finance most of these activities.
- **Business-type activities:** the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer system, golf course and fitness center are reported here.

Fund Financial Statements - Reporting the City of Twinsburg's Most Significant Funds

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The City of Twinsburg, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Twinsburg can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

The City of Twinsburg maintains 27 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General fund, Park Debt Service fund, and the Capital Improvement fund, all of which are considered to be major funds.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2010

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found starting on page 25 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 29 of this report.

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

As noted earlier, the Statement of Net Assets looks at the City as a Whole and can prove to be a useful indicator of the City's financial position.

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

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

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2010

Table 1 provides a summary of the City's net assets for 2010 as compared to 2009.

Table 1
 Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other Assets	\$ 27,070,181	\$ 23,798,735	\$ 3,862,979	\$ 3,564,409	\$ 30,933,160	\$ 27,363,144
Capital assets, net	<u>124,402,387</u>	<u>124,304,382</u>	<u>44,712,422</u>	<u>45,167,336</u>	<u>169,114,809</u>	<u>169,471,718</u>
Total assets	<u>151,472,568</u>	<u>148,103,117</u>	<u>48,575,401</u>	<u>48,731,745</u>	<u>200,047,969</u>	<u>196,834,862</u>
Liabilities:						
Current and other Liabilities	3,094,572	2,853,536	347,206	384,733	3,441,778	3,238,269
Long-term liabilities:						
Due within one year	1,602,786	1,572,649	241,864	227,480	1,844,650	1,800,129
Due in more than one year	<u>14,350,334</u>	<u>14,631,785</u>	<u>1,851,397</u>	<u>1,927,921</u>	<u>16,201,731</u>	<u>16,559,706</u>
Total liabilities	<u>19,047,692</u>	<u>19,057,970</u>	<u>2,440,467</u>	<u>2,540,134</u>	<u>21,488,159</u>	<u>21,598,104</u>
Net assets:						
Invested in capital assets, net of related debt	110,143,632	109,752,467	43,049,588	43,361,453	153,193,220	153,113,920
Restricted for:						
Unclaimed monies	20,143	35,841	-	-	20,143	35,841
Capital projects	4,737,460	7,403,195	-	-	4,737,460	7,403,195
Other purposes	4,512,111	4,304,582	-	-	4,512,111	4,304,582
Unrestricted	<u>13,011,530</u>	<u>7,549,062</u>	<u>3,085,346</u>	<u>2,830,158</u>	<u>16,096,876</u>	<u>10,379,220</u>
Total net assets	\$ <u>132,424,876</u>	\$ <u>129,045,147</u>	\$ <u>46,134,934</u>	\$ <u>46,191,611</u>	\$ <u>178,559,810</u>	\$ <u>175,236,758</u>

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2010

Total net assets of the City increased \$3,323,052. The following factors were responsible for this increase:

- An increase in cash and cash equivalents of \$3,466,581.
- An increase in taxes receivable of \$314,944.
- A decrease in long term liabilities \$313,454.

The City has tried to make concerted efforts to maximize the return on investments of its cash and cash equivalents and use these funds to provide liquidity for planned future capital purchases. Due to decreased interest rates in the past few years, the investments have remained in short term CD's with STAROhio. Additionally, even though the State code allows for investments with maturities of five years or less, the City has not invested in any instrument with a maturity of more than one year.

Another tool used by the City to reduce its long-term liability is to pay off accumulated sick leave for employees who have a balance in excess of 240 hours of sick time remaining in their account at the end of each year. This excess is paid off at the rate of 1 hour for every two hours in excess of the 120 hours. This allows the City to buy back accumulated sick hours at the current hourly rate as opposed to paying for it at a higher rate in the future at the time of retirement of the employee. The employees benefit by having funds available to them currently with the opportunity to invest them and potentially gain a higher rate of return as opposed to a future date.

The various departments within the City have established safety committees to meet the Bureau guidelines and provide the employees with safety equipment to enable them to perform their tasks efficiently and, as much as possible; to help keep the City premises an injury free work place which entitles the City to a 4 percent discount from Summit County Safety Council. Random drug testing policy for employees with CDL licenses also affords an added measure of achieving this goal.

The net assets of our business-type activities decreased by 0.12 percent in 2010. The City generally can only use these net assets to finance the continuing operations of the sewer system, golf course, and fitness center operations.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year in comparison to 2009.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2010

Table 2
Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges for Services	\$ 2,863,206	\$ 2,875,920	\$ 4,863,429	\$ 5,009,248	\$ 7,726,635	\$ 7,885,168
Operating Grants	47,768	47,966	-	-	47,768	47,966
Total Program Revenue	2,910,974	2,923,886	4,863,429	5,009,248	7,774,403	7,933,134
General Revenues:						
Property Taxes	1,250,996	1,652,456	-	-	1,250,996	1,652,456
Income Taxes	19,406,177	16,912,896	-	-	19,406,177	16,912,896
Grants and Entitlements (Not Restricted to Specific Purposes)	3,333,837	2,303,380	-	-	3,333,837	2,303,380
Investment Earnings	8,452	390,794	875	2,563	9,327	393,357
Miscellaneous	95,153	247,635	-	-	95,153	247,635
Transfers	-	-	394,865	285,926	394,865	285,926
Total General Revenues	24,094,615	21,507,161	395,740	288,489	24,490,355	21,795,650
Total Revenues	27,005,589	24,431,047	5,259,169	5,297,737	32,264,758	29,728,784
Program Expenses:						
General Government	4,594,648	4,860,664	-	-	4,594,648	4,860,664
Security of Persons and Property	7,282,747	6,664,804	-	-	7,282,747	6,664,804
Transportation	7,523,868	7,351,850	-	-	7,523,868	7,351,850
Leisure Time Activities	2,274,586	2,272,941	-	-	2,274,586	2,272,941
Community Development	899,304	2,104,844	-	-	899,304	2,104,844
Basic Utility Services	15,049	40,200	-	-	15,049	40,200
Interest and Fiscal Charges	640,793	650,601	-	-	640,793	650,601
Sewer	-	-	2,953,181	2,999,165	2,953,181	2,999,165
Golf Course	-	-	1,056,241	1,080,833	1,056,241	1,080,833
Fitness Center	-	-	1,306,424	1,525,121	1,306,424	1,525,121
Transfers	394,865	285,926	-	-	394,865	285,926
Total Program Expenses	23,625,860	24,231,830	5,315,846	5,605,119	28,941,706	29,836,949
Change in Net Assets	\$ 3,379,729	\$ 199,217	\$ (56,677)	\$ (307,382)	\$ 3,323,052	\$ (108,165)

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2010

Governmental Activities

Several revenue sources fund our governmental activities with the City income tax being the largest contributor. The City's income tax rate is 2.25 percent in 2010. Residents of the City who work in another community and pay the withholding tax for that community receive a 100 percent tax credit on their City tax for 100 percent, the credit limit being 2 percent. During 2010, the revenues generated from income tax collections amounted to \$19,406,177. The City continues to enforce a delinquent letter program and the subpoena program to ensure compliance with the local tax laws.

Security of Persons and Property and General Government are the major activities of the City generating 50% percent of the governmental expenses. Currently, there are 32 full-time sworn officers, 2 sworn part-time officers/jailers and a civilian support staff of 14 employees in the police department. During 2010, the department still continues to place strong emphasis on the training of its employees in order to keep up with the rapidly changing laws, practices and technology.

The fire department consists of 33 full-time and 5 part-time fire fighters. Training plays a crucial role in the day-to-day operation of the fire department. Techniques such as driving rodeos, live practice burn-downs, continuing education classes, practice drills and watching training videos help keep the men and women updated to perform their jobs most efficiently. There were 2,344 calls for assistance of which approximately 1,906 were for EMS and 438 for fire and fire related incidents. The total cost of operating the Fire and EMS department during 2010 was \$3,127,117 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 \$420,360 in revenue.

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

Business-Type Activities

The Business-Type activities of the City, which include the City's sewer, golf course, and fitness center operations, decreased the City's net assets by \$56,677.

Net program revenues exceeded net program expenses in the amount of \$58,355 for the sewer operations for 2010. This is due to decreased operating expenses.

Net program expenses exceeded program revenue in the amount of \$279,680 for the fitness center operations for 2010.

Net program expenses exceeded program revenues in the amount of \$114,382 for the golf course operations for 2010.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2010

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$29,390,473 and expenditures and other financing uses of \$26,357,967.

The net change in fund balance for the year was most significant in the General Fund showing an increase in fund balance of \$5,148,963 in 2010 which increases the beginning fund balance of \$8,794,040 to \$13,943,003. The Capital Improvement Capital Projects Fund reflected a decrease of \$2,112,947. Overall the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

General Fund Budgeting Highlights

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

For the General Fund, final budget basis revenue, including other financing sources was \$2,770,547 higher than the original budget estimates of \$19,060,307. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenue areas. The final appropriations, including other financing uses of \$20,378,726 were sufficient to meet the expenditures and other financing uses for the year, which ended up at \$18,681,449.

The City's ending unobligated budgetary fund balance was \$2,660,621 higher than the final budgeted amount.

Business-Type Funds

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

Proprietary Funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Fitness Center, and Golf Course Funds. The basic proprietary fund financial statements can be found on pages 25 through 28 of this report.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2010

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the City of Twinsburg had \$169,114,809 invested in land, buildings, vehicles, equipment and infrastructure.

Table 3 shows fiscal 2010 balances of Capital Assets as compared to the 2009 balances:

Table 3
 Capital Assets at December 31

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Construction in process	\$ 3,770,568	\$ 2,040,427	\$ 862,342	\$ 750,000	\$ 4,632,910	\$ 2,790,427
Land and land improvements	25,934,053	25,934,053	2,843,237	2,843,237	28,777,290	28,777,290
Buildings	10,202,122	10,202,122	23,890,377	23,890,377	34,092,499	34,092,499
Machinery and equipment	4,858,334	4,848,788	2,661,117	2,619,741	7,519,451	7,468,529
Vehicles	5,987,165	5,830,771	574,843	673,648	6,562,008	6,504,419
Infrastructure:						
Roads	53,612,827	53,369,518	-	-	53,612,827	53,369,518
Water mains	31,643,237	31,427,099	-	-	31,643,237	31,427,099
Storm sewers and culverts	33,486,642	33,075,696	-	-	33,486,642	33,075,696
Traffic signs and signals	1,207,331	1,142,105	-	-	1,207,331	1,142,105
Street lights	1,589,517	1,579,689	-	-	1,589,517	1,579,689
Sanitary sewer lines	-	-	30,419,924	29,957,714	30,419,924	29,957,714
Less: Accumulated						
Depreciation	<u>(47,889,409)</u>	<u>(45,145,886)</u>	<u>(16,539,418)</u>	<u>(15,567,381)</u>	<u>(64,428,827)</u>	<u>(60,713,267)</u>
Total capital assets	<u>\$ 124,402,387</u>	<u>\$ 124,304,382</u>	<u>\$ 44,712,422</u>	<u>\$ 45,167,336</u>	<u>\$ 169,114,809</u>	<u>\$ 169,471,718</u>

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

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the streets, bridges, culverts and sewer lines in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or crack sealed and in the case of concrete roads, either replaced or repaired. After approval from council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the Capital Improvement Fund of the City.

The City is committed to a long-term goal of meeting the needs of its infrastructure and facilities. We have a five-year capital plan in place that provides for street improvements and adding additional facilities to complement our current structures. Additional information concerning the City's capital assets can be found in the notes to the financial statements.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2010

Debt

At December 31, 2010, the City of Twinsburg had \$18,046,381 in outstanding debt and compensated absences, of which \$12,305,027 was in General Obligation Bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4
 Outstanding Debt at Year End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General Obligation Bonds	\$ 10,670,024	\$ 11,390,024	\$ 1,635,003	\$ 1,750,003	\$ 12,305,027	\$ 13,140,027
Special Assessment Bonds	287,000	318,000	10,000	20,000	297,000	338,000
ODOT Loan Payable	1,008,765	1,270,109	-	-	1,008,765	1,270,109
Energy Equipment Loan Payable	774,801	902,008	-	-	774,801	902,008
OPWC Loan Payable	1,398,737	649,691	-	-	1,398,737	649,691
Capital Lease Payable	119,428	22,083	17,831	35,880	137,259	57,963
Compensated Absences	<u>1,694,365</u>	<u>1,652,519</u>	<u>430,427</u>	<u>349,518</u>	<u>2,124,792</u>	<u>2,002,037</u>
Total	\$ <u>15,953,120</u>	\$ <u>16,204,434</u>	\$ <u>2,093,261</u>	\$ <u>2,155,401</u>	\$ <u>18,046,381</u>	\$ <u>18,359,835</u>

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

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

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2010

Current Related Financial Activities

In the future, the City of Twinsburg will be facing some challenges applicable to our revenue base. Despite the fact that the City had a strong financial cash position in 2010, the City will be taking a proactive position to ensure it stays that way. The City of Twinsburg's systems of budgeting and internal control are well regarded. The City is prepared to meet the challenges of the future. In conclusion, management has been committed to providing the residents of the City of Twinsburg with full disclosure of the financial position of the City.

Over the last year, the City's economy has remained relatively stable even while other communities have experienced significant employment losses. Management meets frequently to discuss current operating conditions and strategize for new business alternatives.

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.

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City of Twinsburg, Ohio

Statement of Net Assets

December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 20,193,137	\$ 3,351,863	\$ 23,545,000
Restricted cash	279,323	-	279,323
Materials and supplies inventory	341,170	43,406	384,576
Accrued interest receivable	211	-	211
Accounts receivable	104,582	454,054	558,636
Intergovernmental receivable	900,955	-	900,955
Income taxes receivable	4,125,830	-	4,125,830
Special assessments receivable	145	13,656	13,801
Property taxes receivable	1,124,828	-	1,124,828
Nondepreciable capital assets	26,717,271	3,543,492	30,260,763
Depreciable capital assets, net	<u>97,685,116</u>	<u>41,168,930</u>	<u>138,854,046</u>
Total assets	<u>151,472,568</u>	<u>48,575,401</u>	<u>200,047,969</u>
Liabilities:			
Accounts payable	1,001,749	32,306	1,034,055
Accrued wages and benefits	354,341	83,423	437,764
Intergovernmental payable	499,193	11,679	510,872
Matured compensated absences	55,915	-	55,915
Claims payable	62,284	17,689	79,973
Deferred revenue	1,065,429	195,503	1,260,932
Accrued interest payable	55,661	6,606	62,267
Long-term liabilities:			
Due within one year	1,602,786	241,864	1,844,650
Due in more than one year	<u>14,350,334</u>	<u>1,851,397</u>	<u>16,201,731</u>
Total liabilities	<u>19,047,692</u>	<u>2,440,467</u>	<u>21,488,159</u>
Net assets:			
Invested in capital assets, net of related debt	110,143,632	43,049,588	153,193,220
Restricted for:			
Unclaimed monies	20,143	-	20,143
Capital projects	4,737,460	-	4,737,460
Other purposes	4,512,111	-	4,512,111
Unrestricted	<u>13,011,530</u>	<u>3,085,346</u>	<u>16,096,876</u>
Total net assets	<u>\$ 132,424,876</u>	<u>\$ 46,134,934</u>	<u>\$ 178,559,810</u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Activities

For The Year Ended December 31, 2010

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 4,594,648	\$ 1,119,015	\$ -
Security of persons and property	7,282,747	589,610	47,768
Transportation	7,523,868	363,142	-
Leisure time activities	2,274,586	420,919	-
Community development	899,304	370,520	-
Basic utility service	15,049	-	-
Interest and fiscal charges	640,793	-	-
Total governmental activities	<u>23,230,995</u>	<u>2,863,206</u>	<u>47,768</u>
Business-type activities:			
Sewer	2,953,181	2,894,826	-
Golf	1,056,241	941,859	-
Fitness center	1,306,424	1,026,744	-
Total business-type activities	<u>5,315,846</u>	<u>4,863,429</u>	<u>-</u>
Total	<u>\$ 28,546,841</u>	<u>\$ 7,726,635</u>	<u>\$ 47,768</u>

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

Total general revenues and transfers

Change in net assets

Net assets beginning of year

Net assets end of year

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (3,475,633)	\$ -	\$ (3,475,633)
(6,645,369)	-	(6,645,369)
(7,160,726)	-	(7,160,726)
(1,853,667)	-	(1,853,667)
(528,784)	-	(528,784)
(15,049)	-	(15,049)
(640,793)	-	(640,793)
<u>(20,320,021)</u>	<u>-</u>	<u>(20,320,021)</u>
-	(58,355)	(58,355)
-	(114,382)	(114,382)
-	<u>(279,680)</u>	<u>(279,680)</u>
-	<u>(452,417)</u>	<u>(452,417)</u>
<u>(20,320,021)</u>	<u>(452,417)</u>	<u>(20,772,438)</u>
557,883	-	557,883
693,113	-	693,113
19,406,177	-	19,406,177
3,333,837	-	3,333,837
8,452	875	9,327
95,153	-	95,153
<u>(394,865)</u>	<u>394,865</u>	<u>-</u>
<u>23,699,750</u>	<u>395,740</u>	<u>24,095,490</u>
3,379,729	(56,677)	3,323,052
<u>129,045,147</u>	<u>46,191,611</u>	<u>175,236,758</u>
\$ <u>132,424,876</u>	\$ <u>46,134,934</u>	\$ <u>178,559,810</u>

City of Twinsburg, Ohio

Balance Sheet Governmental Funds

December 31, 2010

	<u>General</u>	<u>Park Debt</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 11,239,300	\$ 7,795
Restricted cash	20,144	-
Income taxes receivable	4,125,830	-
Property taxes receivable	-	723,672
Accounts receivable	92,063	-
Accrued interest receivable	211	-
Special Assessment receivable	145	-
Intergovernmental receivable	450,399	-
Materials and supplies inventory	<u>341,170</u>	<u>-</u>
Total assets	\$ <u>16,269,262</u>	\$ <u>731,467</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 289,542	\$ -
Accrued wages	173,309	-
Claims payable	62,284	-
Intergovernmental payable	228,420	-
Matured compensated absences	55,915	-
Deferred revenue	<u>1,516,789</u>	<u>723,672</u>
Total liabilities	<u>2,326,259</u>	<u>723,672</u>
Fund balances:		
Reserved for encumbrances	393,120	-
Reserved for inventory	341,170	-
Reserved for unclaimed monies	20,143	-
Unreserved:		
Undesignated, reported in:		
General fund	13,188,570	-
Special revenue funds	-	-
Debt service funds	-	7,795
Capital project funds	<u>-</u>	<u>-</u>
Total fund balances	<u>13,943,003</u>	<u>7,795</u>
Total liabilities and fund balances	\$ <u>16,269,262</u>	\$ <u>731,467</u>

The accompanying notes are an integral part of these financial statements

	<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$	5,883,562	\$	3,062,480
	259,179		-
	-		-
	-	401,156	4,125,830
	12,519	-	1,124,828
	-	-	104,582
	-	-	211
	-	-	145
	100,143	350,413	900,955
	-	-	341,170
\$	<u>6,255,403</u>	\$	<u>3,814,049</u>

\$	664,731	\$	47,476	\$	1,001,749
	-		181,032		354,341
	-		-		62,284
	-	270,773		499,193	
	-	-		55,915	
	-	<u>628,365</u>		<u>2,868,826</u>	
	<u>664,731</u>	<u>1,127,646</u>		<u>4,842,308</u>	

	460,025		342,027		1,195,172
	-		-		341,170
	-		-		20,143
	-		-		13,188,570
	-	2,206,806		2,206,806	
	-	17,175		24,970	
	<u>5,130,647</u>	<u>120,395</u>		<u>5,251,042</u>	
	<u>5,590,672</u>	<u>2,686,403</u>		<u>22,227,873</u>	
\$	<u>6,255,403</u>	\$	<u>3,814,049</u>	\$	<u>27,070,181</u>

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City of Twinsburg, Ohio

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

December 31, 2010

Total Governmental Fund Balances \$ 22,227,873

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 124,402,387

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

Property and other taxes	\$ 59,398
Municipal income taxes	1,240,593
Special assessments	145
Charges for services	48,819
Intergovernmental	<u>454,442</u>

Total 1,803,397

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (55,661)

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

General obligation bonds	(10,670,024)
Special assessment bonds	(287,000)
ODOT loan payable	(1,008,765)
Loan Payable	(774,801)
OPWC Loan Payable	(1,398,737)
Leases payable	(119,428)
Compensated absences	<u>(1,694,365)</u>

Total (15,953,120)

Net assets of governmental activities \$ 132,424,876

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

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

For The Year Ended December 31, 2010

	<u>General</u>	<u>Park Debt</u>
Revenues:		
Property and other taxes	\$ -	\$ 693,113
Municipal income tax	19,355,533	-
Other local taxes	111,964	-
Intergovernmental	1,189,100	-
Charges for services	1,389,958	-
License and permits	295,502	-
Fines and forfeitures	166,729	-
Investment income	8,452	-
Reimbursements received	533,847	-
Miscellaneous income	112,140	-
Total revenues	<u>23,163,225</u>	<u>693,113</u>
Expenditures:		
Current operations and maintenance:		
Security of persons and property	5,781,329	-
Leisure time activities	2,029,337	-
Community development	1,130,987	-
Basic utility service	129,996	-
Transportation	3,567,817	-
General government	4,410,149	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	475,000
Interest and fiscal charges	-	374,986
Total expenditures	<u>17,049,615</u>	<u>849,986</u>
Excess of revenues over (under) expenditures	<u>6,113,610</u>	<u>(156,873)</u>
Other financing sources (uses):		
Inception of capital leases	-	-
Loan proceeds	-	-
Transfers - in	-	-
Transfers - out	(964,647)	-
Total other financing sources (uses)	<u>(964,647)</u>	<u>-</u>
Net change in fund balances	5,148,963	(156,873)
Fund balance beginning of year	<u>8,794,040</u>	<u>164,668</u>
Fund balance end of year	\$ <u>13,943,003</u>	\$ <u>7,795</u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

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

For The Year Ended December 31, 2010

<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ -	\$ 460,249	\$ 1,153,362
-	-	19,355,533
-	-	111,964
786,008	1,419,707	3,394,815
-	196,433	1,586,391
-	166,520	462,022
-	-	166,729
-	-	8,452
-	50,015	583,862
563	72,726	185,429
786,571	2,365,650	27,008,559
-	1,112,284	6,893,613
-	54,654	2,083,991
-	-	1,130,987
-	15,049	145,045
-	912,889	4,480,706
-	476	4,410,625
2,846,349	653,877	3,500,226
67,423	664,551	1,206,974
1,242	266,607	642,835
2,915,014	3,680,387	24,495,002
(2,128,443)	(1,314,737)	2,513,557
164,768	-	164,768
749,046	-	749,046
-	1,468,100	1,468,100
(898,318)	-	(1,862,965)
15,496	1,468,100	518,949
(2,112,947)	153,363	3,032,506
7,703,619	2,533,040	19,195,367
\$ <u>5,590,672</u>	\$ <u>2,686,403</u>	\$ <u>22,227,873</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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 3,032,506

*Amounts reported for Governmental Activities in the Statement of
Activities are different because:*

Governmental Funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	\$	4,369,695	
Depreciation		<u>(3,781,880)</u>	
Total			587,815

In the Statement of Activities, only the loss on the disposal of property and equipment are reported, whereas, in the Governmental Funds, the proceeds from the disposal increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the property and equipment. (489,810)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Funds.

Property and other taxes		(14,330)	
Municipal income taxes		50,644	
Special assessment		(13,210)	
Charges for services		(25,795)	
Intergovernmental		<u>(1,447)</u>	
Total			(4,138)

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,139,551

Loan Payable increased long-term liabilities in the statement of net assets (749,046)

Other financing sources in the Governmental Funds increase long-term liabilities in the Statement of Net Assets. These sources were attributed to the inception of capital leases. (164,768)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Compensated absences		(41,846)	
Capital leases		67,423	
Accrued interest on bonds		<u>2,042</u>	
Total			<u>27,619</u>

Change in Net Assets of Governmental Activities \$ 3,379,729

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

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

General Fund

December 31, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 15,000,000	\$ 18,915,690	\$ 18,915,690	\$ -
Other local taxes	122,447	88,796	119,105	30,309
Intergovernmental	1,230,595	892,400	1,197,011	304,611
Charges for services	1,442,546	1,046,102	1,403,178	357,076
License and permits	303,793	220,304	295,502	75,198
Fines and forfeitures	171,373	124,276	166,696	42,420
Investment income	97,411	70,641	94,753	24,112
Reimbursement received	520,012	377,102	505,821	128,719
Other	169,391	78,157	80,718	2,561
Total revenue	<u>19,057,568</u>	<u>21,813,468</u>	<u>22,778,474</u>	<u>965,006</u>
Expenditures:				
Current:				
Security of property and persons	6,333,664	6,390,080	5,777,518	612,562
Leisure time activities	2,245,481	2,065,497	2,049,606	15,891
Community development	1,323,994	1,535,346	1,515,504	19,842
Basic utility services	142,463	143,733	129,996	13,737
Transportation	3,982,652	4,018,151	3,641,516	376,635
General government	5,114,663	5,159,334	4,602,661	556,673
Total expenditures	<u>19,142,917</u>	<u>19,312,141</u>	<u>17,716,801</u>	<u>1,595,340</u>
Excess of revenues over (under) expenditures	<u>(85,349)</u>	<u>2,501,327</u>	<u>5,061,673</u>	<u>2,560,346</u>
Other financing sources (uses):				
Transfers – in	2,739	17,386	15,724	(1,662)
Transfers – out	<u>(1,057,161)</u>	<u>(1,066,585)</u>	<u>(964,648)</u>	<u>101,937</u>
Net change in fund balance	(1,139,771)	1,452,128	4,112,749	2,660,621
Fund balance beginning of the year	6,753,575	6,753,575	6,753,575	-
Outstanding encumbrances at year end	<u>393,120</u>	<u>393,120</u>	<u>393,120</u>	<u>-</u>
Fund balance end of the year	\$ <u>6,006,924</u>	\$ <u>8,598,823</u>	\$ <u>11,259,444</u>	\$ <u>2,660,621</u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Fund Net Assets Proprietary Funds

December 31, 2010

	Business-Type Activities			
	Sewer	Golf Course	Fitness Center	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 3,069,526	\$ 112,448	\$ 169,889	\$ 3,351,863
Receivables:				
Accounts receivable	454,054	-	-	454,054
Special assessments receivable	13,656	-	-	13,656
Materials and supplies inventory	43,406	-	-	43,406
Total current assets	<u>3,580,642</u>	<u>112,448</u>	<u>169,889</u>	<u>3,862,979</u>
Non-current assets:				
Nondepreciable capital assets	836,107	2,650,000	57,385	3,543,492
Depreciable capital assets, net	<u>31,931,843</u>	<u>253,353</u>	<u>8,983,734</u>	<u>41,168,930</u>
Total non-current assets	<u>32,767,950</u>	<u>2,903,353</u>	<u>9,041,119</u>	<u>44,712,422</u>
Total assets	<u>36,348,592</u>	<u>3,015,801</u>	<u>9,211,008</u>	<u>48,575,401</u>
Liabilities:				
Current liabilities:				
Accounts payable	9,453	771	22,082	32,306
Accrued wages	83,423	-	-	83,423
Intergovernmental payable	11,679	-	-	11,679
Accrued interest payable	53	6,553	-	6,606
Claims payable	12,384	1,339	3,966	17,689
Deferred revenue	-	-	195,503	195,503
Due within one year	<u>86,651</u>	<u>145,350</u>	<u>9,863</u>	<u>241,864</u>
Total current liabilities	<u>203,643</u>	<u>154,013</u>	<u>231,414</u>	<u>589,070</u>
Long-term liabilities (net of current portion):				
General obligation bonds payable	-	1,520,003	-	1,520,003
Capital Lease Payable	-	9,131	-	9,131
Compensated absences	<u>266,648</u>	<u>30,830</u>	<u>24,785</u>	<u>322,263</u>
Total long-term liabilities	<u>266,648</u>	<u>1,559,964</u>	<u>24,785</u>	<u>1,851,397</u>
Total liabilities	<u>470,291</u>	<u>1,713,977</u>	<u>256,199</u>	<u>2,440,467</u>
Net assets:				
Invested in capital assets, net of related debt	32,757,950	1,250,519	9,041,119	43,049,588
Unrestricted (deficit)	<u>3,120,351</u>	<u>51,305</u>	<u>(86,310)</u>	<u>3,085,346</u>
Total net assets	<u>\$ 35,878,301</u>	<u>\$ 1,301,824</u>	<u>\$ 8,954,809</u>	<u>\$ 46,134,934</u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

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

For The Year Ended December 31, 2010

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Operating revenues:				
Charges for services	\$ 2,894,826	\$ 941,859	\$ 1,025,764	\$ 4,862,449
Other	-	-	980	980
Total operating revenues	<u>2,894,826</u>	<u>941,859</u>	<u>1,026,744</u>	<u>4,863,429</u>
Operating expenses:				
Personal services	1,925,200	509,757	775,259	3,210,216
Materials and supplies	213,857	192,477	50,394	456,728
Contractual services	70,497	194,901	182,590	447,988
Other operating expenses	-	46,689	-	46,689
Depreciation	<u>741,316</u>	<u>29,350</u>	<u>298,181</u>	<u>1,068,847</u>
Total operating expenses	<u>2,950,870</u>	<u>973,174</u>	<u>1,306,424</u>	<u>5,230,468</u>
Operating loss	<u>(56,044)</u>	<u>(31,315)</u>	<u>(279,680)</u>	<u>(367,039)</u>
Non-operating revenue (expenses):				
Loss on capital asset disposal	(1,995)	-	-	(1,995)
Investment income	875	-	-	875
Interest and fiscal charges	<u>(316)</u>	<u>(83,067)</u>	<u>-</u>	<u>(83,383)</u>
Total non-operating revenues (expenses)	<u>(1,436)</u>	<u>(83,067)</u>	<u>-</u>	<u>(84,503)</u>
Loss before transfers	(57,480)	(114,382)	(279,680)	(451,542)
Transfers-in	<u>-</u>	<u>215,648</u>	<u>179,217</u>	<u>394,865</u>
Change in net assets	(57,480)	101,266	(100,463)	(56,677)
Net assets beginning of year	<u>35,935,781</u>	<u>1,200,558</u>	<u>9,055,272</u>	<u>46,191,611</u>
Net assets end of year	\$ <u>35,878,301</u>	\$ <u>1,301,824</u>	\$ <u>8,954,809</u>	\$ <u>46,134,934</u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Cash Flows Proprietary Funds

For The Year Ended December 31, 2010

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Increase (decrease) in cash and cash equivalents:				
Cash flows from operating activities:				
Cash received from customers	\$ 3,201,186	\$ 941,859	\$ 1,039,173	\$ 5,182,218
Cash payments for personal services	(1,878,950)	(504,919)	(769,527)	(3,153,396)
Cash payments for contractual services	(134,903)	(194,984)	(194,508)	(524,395)
Cash payments for vendors for supplies and materials	(218,122)	(192,477)	(50,394)	(460,993)
Cash received for other operating activities	-	-	980	980
Cash used for other operating activities	-	(46,689)	-	(46,689)
Net cash provided by operating activities	<u>969,211</u>	<u>2,790</u>	<u>25,724</u>	<u>997,725</u>
Cash flows from capital and related financing activities:				
Principal paid on debt maturities	(10,000)	(133,049)	-	(143,049)
Interest paid on debt	(368)	(83,470)	-	(83,838)
Payments for capital acquisitions	<u>(531,847)</u>	<u>(10,293)</u>	<u>(73,788)</u>	<u>(615,928)</u>
Net cash used in capital and related financing activities	<u>(542,215)</u>	<u>(226,812)</u>	<u>(73,788)</u>	<u>(842,815)</u>
Cash flows from noncapital financing activities:				
Transfers in	-	215,648	179,217	394,865
Transfers out	-	-	-	-
Net cash used for noncapital financing activities	<u>(542,215)</u>	<u>(226,812)</u>	<u>(73,788)</u>	<u>(842,815)</u>
Cash flows from investing activities:				
Interest received	<u>952</u>	-	-	<u>952</u>
Net increase (decrease) in cash and cash equivalents	427,948	(8,374)	131,153	550,727
Cash and cash equivalents, beginning of year	<u>2,641,578</u>	<u>120,822</u>	<u>38,736</u>	<u>2,801,136</u>
Cash and cash equivalents, end of year	\$ <u><u>3,069,526</u></u>	\$ <u><u>112,448</u></u>	\$ <u><u>169,889</u></u>	\$ <u><u>3,351,863</u></u>

(Continued)

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Cash Flows (Continued)

Proprietary Funds

For The Year Ended December 31, 2010

	Business-Type Activities			Total
	Sewer	Golf Course	Fitness Center	
Reconciliation of operating loss to net cash from operating activities:				
Operating loss	\$ <u>(56,044)</u>	\$ <u>(31,315)</u>	\$ <u>(279,680)</u>	\$ <u>(367,039)</u>
Adjustments:				
Depreciation	741,316	29,350	298,181	1,068,847
(Increase) decrease in assets:				
Accounts receivable	257,752	-	-	257,752
Materials and supplies inventory	(4,265)	-	-	(4,265)
Special assessments receivable	(1,407)	-	-	(1,407)
Increase (decrease) in liabilities:				
Accounts payable	(14,391)	(83)	(11,918)	(26,392)
Accrued wages and benefits	2,580	-	-	2,580
Claims payable	(23,758)	(2,190)	(1,082)	(27,030)
Compensated absences payable	67,067	7,028	6,814	80,909
Intergovernmental payable	361	-	-	361
Deferred revenue	-	-	13,409	13,409
Total adjustments	<u>1,025,255</u>	<u>34,105</u>	<u>305,404</u>	<u>1,364,764</u>
Net cash provided by operating activities:	\$ <u><u>969,211</u></u>	\$ <u><u>2,790</u></u>	\$ <u><u>25,724</u></u>	\$ <u><u>997,725</u></u>

City of Twinsburg, Ohio

Notes to the Basic Financial Statements

For The Year Ended December 31, 2010

Note 1: The Reporting Entity

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

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

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

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

Jointly Governed Organizations

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 1: The Reporting Entity (continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Twinsburg did not contribute to NOPEC during 2010. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

Note 2: Summary of Significant Accounting Policies

The financial statements of the City of Twinsburg have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Accounting Standards Codifications (ASC) issued on or before November 30, 1989, to its business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB ASC issued after November 30, 1989, to its business-type activities and enterprise funds. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the City.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Fund Financial Statements

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

B. Fund Accounting

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

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

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

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

Park Debt Fund - The park debt fund accounts for that portion of municipal income tax designated by Council for the purpose of improving parks and paying off debt associated with maintenance of the parks.

Capital Improvement Fund - The capital improvement fund accounts for that portion of municipal income tax designated by Council for the purpose of improving, constructing, maintaining, and purchasing those items necessary to enhance the operation of the City.

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

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

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

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Available period for the City is sixty days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, licenses and permits, interest, grants and rentals.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

An annual appropriated budget is legally required to be prepared for all funds of the City other than agency funds. Council passes appropriations at the line item level except for capital projects funds which are appropriated by department or project. Line item appropriations may be transferred between the accounts with the approval of the City Council. Council must approve any revisions in the budget that alter total fund appropriations. The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

Tax Budget

A tax budget of estimated revenue and expenditures for all funds other than agency funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the Finance Director determines that revenue to be collected will be greater than or less than the prior estimates and the budget commission finds the revised estimates to be reasonable. The amounts reported in the budgetary statements as original represent the amounts in the first official certificate of estimated resources issued during 2010. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2010.

Annual Estimate

The Mayor, with the assistance of the Finance Director, is required by Charter to submit to Council, on or before December 1 of each fiscal year, an estimate of the revenues and expenditures of each fund of the City for the next succeeding fiscal year. The annual estimate serves as the basis for appropriations (the appropriated budget) in each fund.

Appropriations

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. During the year, several supplemental appropriation measures were necessary. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget for each fund that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

Budgeted Level of Expenditure

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. Council appropriations are made to personal services, travel and education, contractual services, supplies and materials, capital outlay, other expenditures, debt principal and interest payments, and transfer accounts for each department. Capital projects funds are appropriated by department or project. The appropriations set by Council must remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within Council's appropriated amount.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures of governmental funds. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds, and as a note disclosure for proprietary funds.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, except the investment trust fund, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

Investments are reported at fair value, which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

During the year, the City invested in STAROhio, an investment pool managed by the State Treasurer's Office. STAROhio which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2010.

Interest allocation is determined by the Ohio Constitution, state statutes, and local ordinances adopted under City Charter. Under these provisions, City funds required to receive interest allocations are: 1) those which receive proceeds from the sale of notes and/or bonds and 2) those which receive distributions of state gasoline tax and motor vehicle licenses fees (street maintenance and state highway special revenue funds). All remaining interest is allocated to the general fund. Legally, proprietary funds generally do not receive interest.

G. Inventory

Inventories are stated at cost, on the first-in, first-out basis. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventories of proprietary funds are valued using the first-in/first out method and are expensed when used rather than when purchased.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars, which was increased from five hundred dollars. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	5 to 50 years
Machinery and equipment	5 to 30 years
Vehicles	10 to 15 years
Infrastructure	20 to 100 years

J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance Reserves

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2010, the City of Twinsburg had no assets restricted by enabling legislation in the statements of net assets.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer, golf course, and fitness center programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

R. Estimates

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

S. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 28, 2011, the date the financial statements were available to be issued.

T. Comparative Data/Reclassifications

Prior year data presented in Management's Discussion and Analysis have been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2009 financial statements in order to conform to the 2010 presentation.

Note 3: Change in Accounting Principle

For 2010, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy.

The implementation of GASB Statements No. 51, 53, and 58 did not affect the presentation of the financial statements of the City.

Note 4: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 4: Budgetary Basis of Accounting (continued)

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

	<u>General</u>
GAAP basis	\$ 5,148,963
Increase (decrease) due to:	
Revenue accruals	(369,027)
Expenditure accruals	(274,067)
Outstanding encumbrances	<u>(393,120)</u>
Budget basis	\$ <u>4,112,749</u>

Note 5: Deposits and Investments

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

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

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

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

1. United States Treasury notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 5: Deposits and Investments (Continued)

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of City funds shall be required to pledge as security for repayment of all public moneys.

At year-end, the carrying amount of the City's deposits was \$19,429,806 and the bank balance was \$19,948,513. Of the bank balance, \$2,591,674 was covered by the Federal depository insurance, and \$17,356,839 was uninsured and collateralized with securities held by the pledging institution's trust department, not in the City's name.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 5: Deposits and Investments (Continued)

Investments

Investments are reported at fair value. As of December 31, 2010, the City had the following investments:

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

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City investment policy also limits security purchases to those that mature five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than one year.

Custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed.

Credit risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the City's portfolio be diversified both by types of investment and issuer. All investments of the City are registered and carry a rating AAA by Standard & Poor's.

Concentration of credit risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. As of December 31, 2010, 100 percent of the City's portfolio is invested in STAROhio.

Note 6: Receivables

Receivables at December 31, 2010 consisted primarily of taxes, intergovernmental receivables arising from grants, entitlements or shared revenues, accounts, special assessments and interest on investments. All receivables are considered fully collectible.

A. Property Taxes

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 6: Receivables (continued)

A. Property Taxes (continued)

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

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

Tangible personal property used in business (except for public utilities) is currently assessed for *ad valorem* taxation purposes at 25 percent of its true value. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2010 is zero. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30; with the remainder payable by September 20. Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Twinsburg. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2010, was \$1.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Category:	<u>Assessed Value</u>
Real estate	\$ 619,400,950
Public utility	7,323,020
Tangible personal	<u>694,140</u>
Total	\$ <u>627,418,110</u>

B. Income Taxes

The City levies and collects an income tax of 2.25% on all income earned within the City as well as on income of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly.

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 6: Receivables (continued)

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Governmental activities:

Local government and local government revenue assistance	\$	493,092
CAT tax		9,745
Estate tax		57,449
Gasoline and excise tax and state highway distributions		330,099
Permissive motor vehicle license tax		<u>10,570</u>
Total	\$	<u><u>900,955</u></u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 7: Capital Assets

Capital asset activity for government the year ended December 31, 2010, was as follows:

	Balance <u>12/31/09</u>	Additions	Disposals	Balance <u>12/31/10</u>
<i>Governmental Activities:</i>				
Capital assets not being depreciated				
Construction in progress	\$ 2,040,427	\$ 2,238,487	\$ (508,346)	\$ 3,770,568
Land	<u>22,946,703</u>	<u>-</u>	<u>-</u>	<u>22,946,703</u>
Total capital assets not being depreciated	<u>24,987,130</u>	<u>2,238,487</u>	<u>(508,346)</u>	<u>26,717,271</u>
Capital assets being depreciated				
Land improvements	2,987,350	-	-	2,987,350
Buildings	10,202,122	-	-	10,202,122
Machinery and equipment	4,848,788	9,546	-	4,858,334
Vehicles	5,830,771	719,605	(563,211)	5,987,165
Infrastructure:				
Roads	53,369,518	1,200,878	(957,569)	53,612,827
Water mains	31,427,099	216,138	-	31,643,237
Storm sewers and culverts	33,075,696	410,946	-	33,486,642
Traffic signs and signals	1,142,105	65,226	-	1,207,331
Streetlights	<u>1,579,689</u>	<u>17,215</u>	<u>(7,387)</u>	<u>1,589,517</u>
Total capital assets being depreciated	<u>144,463,138</u>	<u>2,639,554</u>	<u>(1,528,167)</u>	<u>145,574,525</u>
Less accumulated depreciation:				
Land improvements	(1,079,612)	(81,538)	-	(1,161,150)
Buildings	(3,111,942)	(218,389)	-	(3,330,331)
Machinery and equipment	(3,030,049)	(283,022)	-	(3,313,071)
Vehicles	(3,383,458)	(345,581)	338,052	(3,390,987)
Infrastructure:				
Roads	(20,629,561)	(1,853,105)	695,432	(21,787,234)
Water mains	(4,836,565)	(316,432)	-	(5,152,997)
Storm sewers and culverts	(7,668,230)	(558,045)	-	(8,226,275)
Traffic signs and signals	(518,347)	(62,810)	-	(581,157)
Streetlights	<u>(888,122)</u>	<u>(62,958)</u>	<u>4,873</u>	<u>(946,207)</u>
Total accumulated depreciation	<u>(45,145,886)</u>	<u>(3,781,880)</u>	<u>1,038,357</u>	<u>(47,889,409)</u>
Net capital assets being depreciated	<u>99,317,252</u>	<u>(1,142,326)</u>	<u>(489,810)</u>	<u>97,685,116</u>
Governmental activities capital assets, net	\$ <u>124,304,382</u>	\$ <u>1,096,161</u>	\$ <u>(998,156)</u>	\$ <u>124,402,387</u>

Depreciation expense was charged to governmental activities as follows:

Community development	\$ 20,383
General government	84,124
Leisure time activities	194,754
Security of persons and property	450,483
Transportation	<u>3,032,136</u>
Total depreciation expense	<u>\$ 3,781,880</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 7: Capital Assets (continued)

	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/10</u>
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 750,000	\$ 112,342	\$ -	\$ 862,342
Land	<u>2,681,150</u>	<u>-</u>	<u>-</u>	<u>2,681,150</u>
Total capital assets not being depreciated	<u>3,431,150</u>	<u>112,342</u>	<u>-</u>	<u>3,543,492</u>
Capital assets being depreciated:				
Land improvements	162,087	-	-	162,087
Buildings and improvements	23,890,377	-	-	23,890,377
Machinery and equipment	2,619,741	41,376	-	2,661,117
Vehicles	673,648	-	(98,805)	574,843
Infrastructure:				
Sewer lines	<u>29,957,714</u>	<u>462,210</u>	<u>-</u>	<u>30,419,924</u>
Total capital assets being depreciated	<u>57,303,567</u>	<u>503,586</u>	<u>(98,805)</u>	<u>57,708,348</u>
Less: accumulated depreciation	<u>(15,567,381)</u>	<u>(1,068,847)</u>	<u>96,810</u>	<u>(16,539,418)</u>
Net capital assets being depreciated	<u>41,736,186</u>	<u>(565,261)</u>	<u>(1,995)</u>	<u>41,168,930</u>
Total business-type activities capital assets, net	<u>\$ 45,167,336</u>	<u>\$ (452,919)</u>	<u>\$ (1,995)</u>	<u>\$ 44,712,422</u>

Note 8: Long-Term Obligations

A. Original Issues

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

	<u>Original</u> <u>Issue</u> <u>Date</u>	<u>Original</u> <u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Amount</u>
General obligation bonds:			
Park land and conservation	2001	3.30% - 7.04%	\$ 10,500,000
Senior citizens center	2002	2.85% - 16.21%	2,399,997
Darrow Road improvement	2003	2.00% - 4.80%	3,065,000
Special Assessment Bonds:			
Case Parkway South	1992	4.75%	715,000
Creekside/Glenwood Improvement	1993	5.00%	462,000
Darrow/Chamberlin	1995	6.00%	191,875
Liberty/Cannon/Chamberlin/Ravenna	2003	2.75 - 5.10%	310,000
Chamberlin Waterline	2005	4.20%-5.00%	62,000
Enterprise Fund Bonds:			
Golf Course Refunding Bonds	1996	2.85% - 16.21%	2,800,000
Cannon/Case North/Darrow Water Impr.	1991	5.40% - 10.00%	1,150,000

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 8: Long-Term Obligations (continued)

B. Bonded Debt and Other Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2010 was as follows:

	<u>Balance</u> <u>12/31/09</u>	<u>Issued</u> <u>(Retired)</u>	<u>Balance</u> <u>12/31/10</u>	<u>Due in</u> <u>One Year</u>
<i>Governmental Activities:</i>				
General obligation bonds:				
Park land and conservation, due through 2021	\$ 7,425,021	\$ (475,000)	\$ 6,950,021	\$ 495,000
Senior citizens center, due through 2021	1,705,003	(110,000)	1,595,003	115,000
Darrow Road improvement, due through 2022	<u>2,260,000</u>	<u>(135,000)</u>	<u>2,125,000</u>	<u>140,000</u>
Total general obligation bonds	<u>11,390,024</u>	<u>(720,000)</u>	<u>10,670,024</u>	<u>750,000</u>
Special assessment bonds:				
Liberty/Cannon/Case/Darrow due through 2023	210,000	(15,000)	195,000	15,000
Creekside/Glenwood improvement, due through 2013	40,000	(10,000)	30,000	10,000
Darrow/Chamberlin, due through 2015	18,000	(3,000)	15,000	3,000
Chamberlin Waterline Due through 2025	<u>50,000</u>	<u>(3,000)</u>	<u>47,000</u>	<u>3,000</u>
Total special assessment bonds	<u>318,000</u>	<u>(31,000)</u>	<u>287,000</u>	<u>31,000</u>
Other long-term obligations:				
ODOT loan payable	1,270,109	(261,344)	1,008,765	269,243
Energy Equipment Loan Payable	902,008	(127,207)	774,801	-
OPWC – Edgewood Improvements	305,883	37,082	342,965	-
OPWC – Haverhill and Croyden	343,808	-	343,808	-
OPWC – Post Road	-	711,964	711,964	-
Capital lease payable	22,083	164,768	119,428	64,524
		(67,423)		
Accrued compensated absences	1,652,519	591,411	<u>1,694,365</u>	<u>488,019</u>
		<u>(549,565)</u>		
Total other long-term obligations	<u>4,496,410</u>	<u>499,686</u>	<u>4,996,096</u>	<u>821,786</u>
Total governmental activities	\$ <u>16,204,434</u>	\$ <u>(251,314)</u>	\$ <u>15,953,120</u>	\$ <u>1,602,786</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 8: Long-Term Obligations (continued)

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

	<u>Balance</u> <u>12/31/09</u>	<u>Issued</u> <u>(Retired)</u>	<u>Balance</u> <u>12/31/10</u>	<u>Due in</u> <u>One Year</u>
<i>Business-Type Activities:</i>				
General obligation bonds:				
Golf course refunding bonds	\$ <u>1,750,003</u>	\$ <u>(115,000)</u>	\$ <u>1,635,003</u>	\$ <u>115,000</u>
Special assessment bonds:				
Cannon/Case North/Darrow				
Water improvement, due through 2011	<u>20,000</u>	<u>(10,000)</u>	<u>10,000</u>	<u>10,000</u>
Other long term obligations:				
Capital lease payable	35,880	(18,049)	17,831	8,700
Accrued compensated absences	349,518	165,340		
		<u>(84,431)</u>	<u>430,427</u>	<u>108,164</u>
Total other long-term obligations	<u>385,398</u>	<u>62,860</u>	<u>448,258</u>	<u>116,864</u>
Total business-type activities	\$ <u>2,155,401</u>	\$ <u>(62,140)</u>	\$ <u>2,093,261</u>	\$ <u>241,864</u>

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2010 were as follows:

<u>Year</u>	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>ODOT Loan</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 865,000	\$ 592,970	\$ 41,000	\$ 14,823	\$ 269,243	\$ 34,592	\$ 1,817,628
2012	900,000	557,040	31,000	13,001	277,381	26,454	1,804,876
2013	935,000	518,423	31,000	11,306	285,765	18,070	1,799,564
2014	985,000	477,515	21,000	9,862	176,376	5,812	1,675,565
2015	1,045,000	433,415	21,000	8,791	-	-	1,508,206
2016-2020	5,975,000	1,323,220	90,000	29,440	-	-	7,417,660
2021-2025	<u>1,600,027</u>	<u>89,920</u>	<u>62,000</u>	<u>7,298</u>	-	-	<u>1,759,245</u>
	\$ <u>12,305,027</u>	\$ <u>3,992,503</u>	\$ <u>297,000</u>	\$ <u>94,521</u>	\$ <u>1,008,765</u>	\$ <u>84,928</u>	\$ <u>17,782,744</u>

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 8: Long-Term Obligations (continued)

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

In 2008, the City obtained an Ohio Public Works Commission (OPWC) loan for the Edgewood road improvements to be repaid in semi-annual principal payments of approximately \$7,536 beginning upon project completion. OPWC has authorized this loan up to \$452,143. The above represents the monies drawn against this loan and as a result, the debt maturity schedule above does not reflect any amounts for principal or interest. When the loan is finalized, the principal and interest will be included above.

During 2009, the City obtained a second Ohio Public Works Commission (OPWC) loan for the Haverhill and Croyden road improvements to be repaid in semi-annual principal payments of approximately \$8,333 beginning upon project completion. OPWC has authorized this loan up to \$500,000. The above represents the monies drawn against this loan and as a result, the debt maturity schedule above does not reflect any amounts for principal or interest. When the loan is finalized, the principal and interest will be included above.

Also during 2009, the City obtained a loan from First Merit bank for the purchase of energy efficient equipment to be repaid annually in combined principal and interest payments of approximately \$152,401 beginning July 2010 for an estimated 7 years. First Merit has authorized this loan up to \$902,008. The above represents the monies drawn against this loan and as a result, the debt maturity schedule above does not reflect any amounts for principal or interest. When the loan is finalized, the principal and interest will be included above.

During 2010, the City obtained a third Ohio Public Works Commission (OPWC) loan for the Post road improvements to be repaid in semi-annual principal payments beginning upon project completion. OPWC has authorized this loan up to \$731,077. The above represents the monies drawn against this loan and as a result, the debt maturity schedule above does not reflect any amounts for principal or interest. When the loan is finalized, the principal and interest will be included above.

Note 9: Capital Leases

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Assets:		
Vehicles	\$ 204,114	\$ -
Machinery and equipment	-	86,702
Less: accumulated depreciation	<u>(9,453)</u>	<u>(19,467)</u>
Total	<u>\$ 194,661</u>	<u>\$ 67,235</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 9: Capital Leases (continued)

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

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2011	\$ 68,664	\$ 9,583
2012	<u>56,685</u>	<u>9,583</u>
Total minimum lease payments	125,349	19,166
Less: Amount representing interest	<u>(5,921)</u>	<u>(1,335)</u>
Present value of minimum lease payments	\$ <u>119,428</u>	\$ <u>17,831</u>

Lease payments are made from the Capital Improvement Fund and Golf Fund. The lease payments amount will be paid with current, available resources that have accumulated in the fund for payment early in the following year.

Note 10: Compensated Absences

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

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

Note 11: Pension Plans

A. Ohio Public Employees Retirement System

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 11: Pension Plans (continued)

A. Ohio Public Employees Retirement System (continued)

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2010, the members of all three plans were required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City contributed 14.0 percent of covered payroll.

The City's required contributions for pension obligations, excluding the health-care portion, to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$634,222, \$594,110, and \$508,598, respectively. The full amount has been contributed for 2010, 2009 and 2008. Contributions to the member-directed plan for 2010 were \$7,412 made by the City of Twinsburg and \$1,723 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by state statute. The City of Twinsburg's contributions to the OP&F for police and firefighters were \$468,642 and \$550,509 for the year ended December 31, 2010, \$483,660 and \$552,237 for the year ended December 31, 2009, and \$488,736 and \$540,489 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 77.50 percent for police and 77.10 percent for firefighters has been contributed for 2010 with the remainder being reported as a liability.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 12: Postemployment Benefits

A. *Ohio Public Employees Retirement System*

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

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

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability 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.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH, 43215-4642, or by calling (614) 222-5601 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 covered payroll of active members. In 2010, the City contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS 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 Plan was 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 12: Postemployment Benefits (continued)

A. *Ohio Public Employees Retirement System continued*

The City's contributions for health care for the years ended December 31, 2010, 2009, and 2008 were \$360,065, \$432,198, and \$508,598, respectively; 100 percent has been contributed for 2010, 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

B. *Ohio Police and Fire Pension Fund*

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 E. Town St., Columbus, Ohio 43215-5164.

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 12: Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 1150 and 401(h).

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

The City's contributions to OP&F for police and fire for the years ending December 31, 2010, 2009, and 2008 were \$468,642 and 550,509, \$483,660 and 552,237, and \$488,736 and \$540,489, respectively, of which \$162,222 and \$154,831, \$158,837 and \$148,985, \$152,013 and \$148,985, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2009 and 2008. For 2010, 77.5 percent for police and 77.10 percent for firefighters has been contributed, with the remainder being reported as a liability.

Note 13: Risk Management

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

The City continues to carry health insurance through Medical Mutual of Ohio. The City pays a monthly premium from the General Fund, Sewer Fund, Gleneagles Golf Fund, and Fitness Center Fund for each employee that varies according to which fund the employees' salary is paid. Incurred but not reported claims of \$79,973 have been accrued as a liability at December 31, 2010 based on an estimate by Medical Mutual.

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

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 13: Risk Management (continued)

The claims liability of \$79,973 reported in the funds at December 31, 2010, was estimated by reviewing current claims and is based on the requirements of GASB No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses.

Changes in the fund's claims liability amount were:

	<u>Balance at</u> <u>Beginning of Year</u>		<u>Current Year</u> <u>Claims</u>		<u>Claim</u> <u>Payments</u>		<u>Balance at</u> <u>End of Year</u>
2010	\$ 201,353	\$	143,528	\$	264,908	\$	79,973
2009	-		461,055		259,702		201,353

Note 14: Interfund Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following:

<u>Transfer to</u>	<u>Transfer From</u>		
	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Improvement</u>	<u>Total</u>
Non major governmental funds	\$ 569,782	\$ 898,318	\$ 1,468,100
Golf course fund	215,648	-	215,648
Fitness Center fund	179,217	-	179,217
Total transfers	\$ <u>964,647</u>	\$ <u>898,318</u>	\$ <u>1,862,965</u>

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

Note 15: Contingencies/Pending Litigation

The City is a party to various legal proceedings. The City's management is of the opinion that the ultimate outcome of such litigation will not have a material adverse effect on the City's financial position.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2010

Note 16: Accountability

The following funds had deficit fund balances at December 31, 2010:

Police Pension	\$ 214,306
Fire Pension	236,961

The deficit fund balance in the Police Pension and Fire Pension were a result of the application of GAAP, namely intergovernmental payable at December 31, 2010. These deficits will be eliminated with future events.

Note 17: Termination Benefits

On September 15, 2010, City council passed Resolution 107-2010 offering a Voluntary Separation Incentive Program for all full time employees of the City. The program required employees to provide a written commitment to enter the program prior to November 1, 2010 and separate employment from the City no later than December 31, 2010. Eligible employees received a one-lump sum payment equal to \$2,000 plus \$500 for each year of service, prorated to the employee's anniversary date within the City. At the program's end on December 31, 2010, three employees received the benefits described above totaling an expense of \$58,792. Due to the timing of payments, \$37,667 of the benefits paid are included in the matured compensated absences balance of the General Fund.

Note 18: Subsequent Events

On February 4, 2011, the City issued \$6,455,000 of General Obligation Refunding Bonds to pay for Park Land and Conservation and \$4,115,000 in Various Purpose Refunding Bonds. The bonds have a weighted average interest rate of 3.4% per annum and 2.9% per annum respectively.

**CITY OF TWINSBURG
SUMMIT COUNTY
FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning and Construction	SUM-91.21.11	20.205	<u>\$ 701,775</u>
Total U.S. Department of Transportation			<u>701,775</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through the Ohio Department of Education</i>			
Safe and Drug Free Schools and Communities	N/A	84.184	<u>40,525</u>
Total U.S. Department of Education			<u>40,525</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Direct Programs</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	N/A	16.803	<u>58,999</u>
Total U.S. Department of Justice			<u>58,999</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$ 801,299</u></u>

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

**CITY OF TWINSBURG
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

Note A – Basis of Presentation

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

Note B – Matching Requirements

Certain federal programs require the City to contribute non-federal funds (matching funds) to support the federally-funded programs. The Schedule does not include the expenditure of non-federal matching funds.

Perry & Associates
Certified Public Accountants, A.C.
www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

August 18, 2011

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

To the Honorable Mayor and Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Twinsburg**, Summit County, Ohio (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 18, 2011.

We intend the report solely for the information and use of management, the Finance Committee, the City Council, and federal awarding agencies and pass-through entities and others with the City. We intend it for no one other than these specified parties.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

Perry & Associates
Certified Public Accountants, A.C.
www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

August 18, 2011

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

To the Honorable Mayor and Members of Council:

Compliance

We have audited the compliance of the **City of Twinsburg**, Summit County, Ohio (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Twinsburg, Summit County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend the report solely for the information and use of management, the Finance Committee, the City Council, and federal awarding agencies and pass-through entities and others with the City. We intend it for no one other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**CITY OF TWINSBURG
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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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 15, 2011