

City Of Twinsburg, Ohio
General Purpose Financial Statements
December 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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Members of City Council
City of Twinsburg
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We have reviewed the Independent Auditor's Report of the City of Twinsburg, Summit County, prepared by Cuini & Panichi, Inc, for the audit period January 1, 2001 through December 31, 2001. 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, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 14, 2002

CITY OF TWINSBURG, OHIO

FOR THE YEAR ENDED DECEMBER 31, 2001

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CIUNI & PANICHI
INC.

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS CONSULTING FIRM

a C&P Advisors Company

INDEPENDENT AUDITORS' REPORT

Members of the City Council
Twinsburg, Ohio

We have audited the accompanying general-purpose financial statements of the City of Twinsburg, as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Twinsburg's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Twinsburg, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as of December 31, 2001. This results in a change to the City's method of accounting for certain nonexchange revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2002 on our consideration of the City of Twinsburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Ciuni & Panichi, Inc.

Cleveland, Ohio
March 28, 2002

CITY OF TWINSBURG, OHIO

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements of the City include the basic combined financial statements, presented by fund type and account group, and notes to the financial statements that are essential to the fair presentation of financial position.

CITY OF TWINSBURG, OHIO

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 2001

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS AND OTHER DEBITS</u>				
<u>Assets</u>				
Equity Pooled in Cash and Cash				
Equivalents	\$ 2,524,040	\$ 1,133,884	\$ 531,188	\$ 13,651,562
Receivables:				
Taxes	2,481,016	376,782	-	1,333,093
Accounts	45,047	-	6,431	168,241
Interest	36,112	-	653	-
Intergovernmental	235,821	235,554	-	-
Special Assessments	-	-	-	-
Material and Supplies Inventory	99,600	-	-	-
Fixed Assets (Net of Accumulated Depreciation)	-	-	-	-
<u>Other Debits</u>				
Amount Available in the Debt Service Fund	-	-	-	-
Amount to be Provided from General Governmental Resources	-	-	-	-
Amount to be Provided from Special Assessments	-	-	-	-
Total Assets and Other Debits	\$ <u>5,421,636</u>	\$ <u>1,746,220</u>	\$ <u>538,272</u>	\$ <u>15,152,896</u>

The Accompanying Notes are an Integral Part of These Financial Statements

<u>Proprietary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>			
\$ 3,037,509	\$ -	\$ -	\$ 20,878,183
-	-	-	4,190,891
504,638	-	-	724,357
-	-	-	36,765
-	-	-	471,375
322,702	-	-	322,702
27,334	-	-	126,934
42,895,536	35,628,359	-	78,523,895
-	-	538,272	538,272
-	-	15,887,902	15,887,902
-	-	239,223	239,223
<u>\$ 46,787,719</u>	<u>\$ 35,628,359</u>	<u>\$ 16,665,397</u>	<u>\$ 121,940,499</u>

Continued

CITY OF TWINSBURG, OHIO

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)

DECEMBER 31, 2001

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 248,375	\$ 86,990	\$ -	\$ 421,948
Accrued Wages	13,122	15,083	-	-
Accrued Compensated Absences	117,040	107,375	-	-
Due to Other Governments	204,173	-	-	-
Deferred Revenue	1,010,172	482,738	-	483,705
Accrued Pension	167,315	219,708	-	-
Accrued Interest Payable	-	-	-	-
Notes Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Special Assessments Bonds Payable	-	-	-	-
Total Liabilities	<u>1,760,197</u>	<u>911,894</u>	<u>-</u>	<u>905,653</u>
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	-	-	-	-
Contributed Capital	-	-	-	-
Retained Earnings:				
Unreserved (Deficit)	-	-	-	-
Fund Balance:				
Reserve for Encumbrances	360,112	180	-	834,361
Reserve for Debt Service	-	-	538,272	-
Reserve for Inventory	99,600	-	-	-
Reserve for Capital Improvements	-	-	-	13,412,882
Undesignated	3,201,727	834,146	-	-
Total Fund Equity and Other Credits	<u>3,661,439</u>	<u>834,326</u>	<u>538,272</u>	<u>14,247,243</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$ 5,421,636</u>	<u>\$ 1,746,220</u>	<u>\$ 538,272</u>	<u>\$ 15,152,896</u>

The Accompanying Notes are an Integral Part of These Financial Statements

Proprietary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Enterprise			
\$ 212,520	\$ -	\$ -	\$ 969,833
6,593	-	-	34,798
165,002	-	473,397	862,814
-	-	-	204,173
322,702	-	-	2,299,317
79,414	-	-	466,437
6,525	-	-	6,525
-	-	3,000,000	3,000,000
2,445,000	-	12,900,000	15,345,000
<u>100,000</u>	<u>-</u>	<u>292,000</u>	<u>392,000</u>
<u>3,337,756</u>	<u>-</u>	<u>16,665,397</u>	<u>23,580,897</u>
-	35,628,359	-	35,628,359
55,195,876	-	-	55,195,876
(11,745,913)	-	-	(11,745,913)
-	-	-	1,194,653
-	-	-	538,272
-	-	-	99,600
-	-	-	13,412,882
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,035,873</u>
<u>43,449,963</u>	<u>35,628,359</u>	<u>-</u>	<u>98,359,602</u>
\$ <u><u>46,787,719</u></u>	\$ <u><u>35,628,359</u></u>	\$ <u><u>16,665,397</u></u>	\$ <u><u>121,940,499</u></u>

CITY OF TWINSBURG, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>General</u>	<u>Special Revenue</u>
<u>Revenues</u>		
Property Taxes	\$ -	\$ 390,134
Municipal Income Tax	11,286,208	-
Other Local Taxes	206,947	-
Intergovernmental	870,162	801,404
Charges for Services	586,016	115,212
License and Permits	576,810	176,694
Fines and Forfeitures	87,444	450
Special Assessments	-	-
Investment Income	777,524	-
Reimbursements Received	395,745	15,501
Miscellaneous Income	223,362	-
Total Revenues	<u>15,010,218</u>	<u>1,499,395</u>
<u>Expenditures</u>		
Current Operations and Maintenance:		
Security of Persons and Property	5,337,285	921,758
Public Health	190,599	-
Leisure Time Activities	1,529,566	95,890
Community Development	1,644,881	11,585
Basic Utility Service	-	-
Transportation	3,052,731	803,210
General Government	2,194,320	-
Capital Outlay	-	10,730,715
Debt Service:		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	<u>13,949,382</u>	<u>12,563,158</u>
Excess of Revenues Over (Under) Expenditures	<u>1,060,836</u>	<u>(11,063,763)</u>
<u>Other Financing Sources (Uses)</u>		
Proceeds from Sale of Debt	-	-
Operating Transfers – In	-	487,820
Operating Transfers – Out	(831,000)	(935,913)
Total Other Financing Sources (Uses)	<u>(831,000)</u>	<u>(448,093)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	229,836	(11,511,856)
Fund Balance at Beginning of Year, Restated	3,400,757	12,346,182
Increase in Reserve for Inventory	<u>30,846</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>3,661,439</u>	\$ <u>834,326</u>

The Accompanying Notes are an Integral Part of These Financial Statements

Debt Service	Capital Projects	Total (Memorandum Only)
\$ -	\$ -	\$ 390,134
-	5,736,093	17,022,301
-	-	206,947
-	-	1,671,566
-	527,647	1,228,875
-	-	753,504
-	-	87,894
166,757	-	166,757
86,523	-	864,047
40,930	302,096	754,272
-	-	<u>223,362</u>
<u>294,210</u>	<u>6,565,836</u>	<u>23,369,659</u>
-	-	6,259,043
-	-	190,599
-	-	1,625,456
-	-	1,656,466
-	1,307,605	1,307,605
-	2,527,682	6,383,623
2,959,718	201,170	5,355,208
-	1,570,111	12,300,826
10,633,000	-	10,633,000
570,090	-	<u>570,090</u>
<u>14,162,808</u>	<u>5,606,568</u>	<u>46,281,916</u>
<u>(13,868,598)</u>	<u>959,268</u>	<u>(22,912,257)</u>
13,500,000	2,400,000	15,900,000
939,963	-	1,427,783
<u>(85,870)</u>	<u>-</u>	<u>(1,852,783)</u>
<u>14,354,093</u>	<u>2,400,000</u>	<u>15,475,000</u>
485,495	3,359,268	(7,437,257)
52,777	10,887,975	26,687,691
<u>-</u>	<u>-</u>	<u>30,846</u>
\$ <u>538,272</u>	\$ <u>14,247,243</u>	\$ <u>19,281,280</u>

CITY OF TWINSBURG, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2001

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Revenues</u>			
Municipal Income Taxes	\$ 12,025,000	\$ 10,745,788	\$ (1,279,212)
Other Local Taxes	216,795	274,062	57,267
Intergovernmental	638,595	807,284	168,689
Charges for Services	456,057	576,527	120,470
Licenses and Permits	502,555	576,810	74,255
Fines and forfeitures	69,172	87,444	18,272
Investment Income	905,968	1,145,286	239,318
Reimbursements Received	457,934	395,744	(62,190)
Other	<u>229,618</u>	<u>223,362</u>	<u>(6,256)</u>
Total Revenues	<u>15,501,694</u>	<u>14,832,307</u>	<u>(669,387)</u>
<u>Expenditures</u>			
Current Operations and Maintenance:			
Security of Persons and Property	5,433,009	5,339,424	93,585
Public Health	190,600	190,599	1
Leisure Time Activities	1,639,955	1,555,968	83,987
Community Development	2,596,501	1,907,022	689,479
Transportation	3,340,116	3,070,500	269,616
General Government	<u>2,969,240</u>	<u>2,360,287</u>	<u>608,953</u>
Total Expenditures	<u>16,169,421</u>	<u>14,423,800</u>	<u>1,745,621</u>
Excess of Revenues Over (Under) Expenditures	(667,727)	408,507	1,076,234
<u>Other Financing Sources (Uses)</u>			
Operating Transfers – Out	<u>(958,000)</u>	<u>(831,000)</u>	<u>127,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,625,727)	(422,493)	1,203,234
Outstanding Encumbrance at Year End	396,631	396,631	-
Fund Balance at Beginning of Year	<u>2,549,902</u>	<u>2,549,902</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>1,320,806</u>	\$ <u>2,524,040</u>	\$ <u>1,203,234</u>

Continued

The Accompanying Notes are an Integral Part of These Financial Statements

CITY OF TWINSBURG, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL GOVERNMENTAL FUND TYPES (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2001

	Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Property Taxes	\$ 357,526	\$ 366,573	\$ 9,047
Intergovernmental	850,897	807,673	(43,224)
Charges for Services	129,270	115,212	(14,058)
Licenses and Permits	193,842	176,694	(17,148)
Fines and Forfeitures	1,350	450	(900)
Other	22,194	15,000	(7,194)
Total Revenues	1,555,079	1,481,602	(73,477)
<u>Expenditures</u>			
Current Operations and Maintenance:			
Security of Persons and Property	946,396	925,740	20,656
Leisure Time Activities	100,000	95,890	4,110
Community Development	13,497	11,585	1,912
Transportation	1,171,975	880,091	291,884
Capital Outlay	10,730,895	10,730,895	-
Total Expenditures	12,962,763	12,644,201	318,562
Excess Of Revenues Over (Under) Expenditures	(11,407,684)	(11,162,599)	245,085
<u>Other Financing Sources (Uses)</u>			
Operating Transfers – In	411,820	487,820	76,000
Operating Transfers – Out	(935,913)	(935,913)	-
Total Other Financing Sources and (Uses)	(524,093)	(448,093)	76,000
Excess Of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(11,931,777)	(11,610,692)	321,085
Outstanding Encumbrances at End of Year	87,171	87,171	-
Fund Balance at Beginning of Year	12,657,405	12,657,405	-
Fund Balance at End of Year	\$ 812,799	\$ 1,133,884	\$ 321,085

Continued

CITY OF TWINSBURG, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL GOVERNMENTAL FUND TYPES (CONTINUED) **FOR THE YEAR ENDED DECEMBER 31, 2001**

	Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Special Assessments	\$ 227,926	\$ 166,757	\$ (61,169)
Investment Income	85,870	85,870	-
Other	<u>33,175</u>	<u>34,499</u>	<u>1,324</u>
Total Revenues	<u>346,971</u>	<u>287,126</u>	<u>(59,845)</u>
<u>Expenditures</u>			
Current Operations And Maintenance:			
General Government	2,959,718	2,959,718	-
Debt Service:			
Principal Retirement	10,649,420	10,633,000	16,420
Interest And Fiscal Charges	<u>598,888</u>	<u>570,090</u>	<u>28,798</u>
Total Expenditures	<u>14,208,026</u>	<u>14,162,808</u>	<u>45,218</u>
Excess Of Revenues Over (Under) Expenditures	<u>(13,861,055)</u>	<u>(13,875,682)</u>	<u>(14,627)</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds From Sale Of Debt	13,082,212	13,500,000	417,788
Operating Transfers – In	939,963	939,963	-
Operating Transfers – Out	<u>(85,870)</u>	<u>(85,870)</u>	<u>-</u>
Total Other Financing Sources And (Uses)	<u>13,936,305</u>	<u>14,354,093</u>	<u>417,788</u>
Excess Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	75,250	478,411	403,161
Fund Balance At Beginning Of Year	<u>52,777</u>	<u>52,777</u>	<u>-</u>
Fund Balance At End Of Year	\$ <u><u>128,027</u></u>	\$ <u><u>531,188</u></u>	\$ <u><u>403,161</u></u>

Continued

CITY OF TWINSBURG, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL GOVERNMENTAL FUND TYPES (CONTINUED) **FOR THE YEAR ENDED DECEMBER 31, 2001**

	Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Municipal Income Taxes	\$ 6,475,000	\$ 5,786,193	\$ (688,807)
Intergovernmental	1,600,000	-	(1,600,000)
Charges for Services	297,037	359,406	62,369
Reimbursement	1,472,244	296,719	(1,175,525)
Other	26,681	5,377	(21,304)
Total Revenues	<u>9,870,962</u>	<u>6,447,695</u>	<u>(3,423,267)</u>
<u>Expenditures</u>			
Current Operations and Maintenance:			
Basic Utility Services	1,529,854	1,460,437	69,417
Transportation	9,917,381	3,939,839	5,977,542
General Government	280,396	201,170	79,226
Capital Outlay	<u>1,997,036</u>	<u>1,337,308</u>	<u>659,728</u>
Total Expenditures	<u>13,724,667</u>	<u>6,938,754</u>	<u>6,785,913</u>
Excess of Revenues Over (Under) Expenditures	(3,853,705)	(491,059)	3,362,646
<u>Other Financing Sources (Uses)</u>			
Proceeds From Sale of Debt	<u>2,400,000</u>	<u>2,400,000</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,453,705)	1,908,941	3,362,646
Outstanding Encumbrances at Year End	1,595,546	1,595,546	-
Fund Balance at Beginning of Year	<u>10,147,075</u>	<u>10,147,075</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 10,288,916</u>	<u>\$ 13,651,562</u>	<u>\$ 3,362,646</u>

CITY OF TWINSBURG, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY – ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Enterprise</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 3,887,425
Other	<u>12,819</u>
Total Operating Revenues	<u>3,900,244</u>
<u>Operating Expenses</u>	
Personal Services	2,509,004
Materials and Supplies Inventory	409,550
Contractual Services	1,704,572
Depreciation	<u>1,302,046</u>
Total Operating Expenses	<u>5,925,172</u>
Operating Loss	(2,024,928)
<u>Non-Operating Revenues (Expenses)</u>	
Investment Income	14,456
Interest and Fiscal Charges	(125,722)
Special Assessments	124,104
Reimbursements Received	<u>180,921</u>
Total Non-Operating Revenues (Expenses)	<u>193,759</u>
Loss Before Operating Transfers	(1,831,169)
Operating Transfers – In	<u>425,000</u>
Net Loss	(1,406,169)
Retained Earnings at Beginning of Year, Restated	<u>(10,339,744)</u>
Retained Earnings at End of Year	<u>(11,745,913)</u>
Contributed Capital at Beginning of Year, Restated	54,650,410
Contributions	<u>545,466</u>
Contributed Capital at End of Year	<u>55,195,876</u>
Total Fund Equity at End of Year	\$ <u>43,449,963</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY OF TWINSBURG, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL PROPRIETARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2001

	Enterprise Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Charges for Services	\$ 4,082,388	\$ 3,879,420	\$ (202,968)
Special Assessments	169,628	124,104	(45,524)
Investment Income	14,116	14,456	340
Reimbursement	1,055,364	173,321	(882,043)
Other	<u>56,000</u>	<u>12,819</u>	<u>(43,181)</u>
Total Revenue	<u>5,377,496</u>	<u>4,204,120</u>	<u>(1,173,376)</u>
<u>Expenses</u>			
Personal Services	2,675,119	2,494,490	180,629
Travel and Education	9,047	4,845	4,202
Contractual Services	1,093,215	1,013,538	79,677
Supplies and Materials	442,753	416,917	25,836
Capital Outlay	2,981,520	649,344	2,332,176
Debt Service:			
Principle Retirement	2,666,580	2,576,000	90,580
Interest and Fiscal Charges	<u>136,761</u>	<u>124,940</u>	<u>11,821</u>
Total Expenses	<u>10,004,995</u>	<u>7,280,074</u>	<u>2,724,921</u>
Excess of Revenues Over (Under) Expenses	<u>(4,627,499)</u>	<u>(3,075,954)</u>	<u>1,551,545</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds From Sale of Debt	2,374,070	2,445,000	70,930
Operating Transfers – In	<u>-</u>	<u>425,000</u>	<u>425,000</u>
Total Other Financing Sources and (Uses)	<u>2,374,070</u>	<u>2,870,000</u>	<u>495,930</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses	(2,253,429)	(205,954)	2,047,475
Outstanding Encumbrances at Year End	16,204	16,204	-
Fund Balance at Beginning of Year	<u>3,227,259</u>	<u>3,227,259</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>990,034</u>	\$ <u>3,037,509</u>	\$ <u>2,047,475</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY OF TWINSBURG, OHIO

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Enterprise</u>
<u>Cash Flows From Operating Activities</u>	
Cash Received from Customers	\$ 3,879,420
Cash Payments for Personal Services	(2,494,490)
Cash Payments for Travel and Education	(4,845)
Cash Payments for Contractual Services	(1,530,976)
Cash Payments to Vendors for Supplies and Materials	(411,008)
Other Operating Receipts	<u>12,819</u>
Net Cash Used in Operating Activities	<u>(549,080)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Principal Paid on Debt Maturities	(2,576,000)
Interest Paid on Debt	(124,940)
Investment in Fixed Assets	(121,611)
Proceeds from the Sale of Debt	<u>2,445,000</u>
Net Cash Used in Capital and Related Financing Activities	<u>(377,551)</u>
<u>Cash Flows From Investing Activities</u>	
Interest Received	<u>14,456</u>
<u>Cash Flows From Non-Capital Financing Activities</u>	
Operating Transfers – In	425,000
Special Assessments	124,104
Reimbursements Received	<u>173,321</u>
Net Cash Provided by Non-Capital Financing Activities	<u>722,425</u>
Net Decrease in Cash and Cash Equivalents	(189,750)
Cash and Cash Equivalents at Beginning of Year	<u>3,227,259</u>
Cash and Cash Equivalents at End of Year	\$ <u>3,037,509</u>

Continued

Noncash Investing, Capital and Financing Activities:

In 2001, the Enterprise Fund acquired fixed assets of \$545,466 via governmental contributions.

The Accompanying Notes are an Integral Part of These Financial Statements

CITY OF TWINSBURG, OHIO

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2001

Reconciliation of Operating Loss to Net Cash From Operating Activities

Operating Loss	\$	(2,024,928)
Adjustment to Reconcile Operating Loss to Net Cash From Operating Activities:		
Depreciation		1,302,046
Changes in Assets and Liabilities:		
Increase in Accounts Receivable		(8,006)
Decrease in Material and Supplies Inventory		3,586
Increase in Accounts Payable		168,553
Increase in Accrued Pension		33,475
Decrease in Accrued Wages and Benefits		(66,122)
Increase in Compensated Absences		<u>42,316</u>
Net Cash Used in Operating Activities	\$	<u>(549,080)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2001

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 GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 1 – THE REPORTING ENTITY (CONTINUED)

Jointly Governed Organizations (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 2001. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements.

A. BASIS OF PRESENTATION – FUND ACCOUNTING

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a set of self-balancing accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. BASIS OF PRESENTATION – FUND ACCOUNTING (CONTINUED)

GOVERNMENTAL FUNDS (CONTINUED)

GENERAL FUND

The general fund is the general operating fund of the City. It is used to account 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.

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for revenues derived from specific taxes, grants, or other sources (other than amounts relating to major capital projects) whose use is restricted. The uses and limitations of each special revenue fund are specified by City ordinances or federal and state statutes.

DEBT SERVICE FUNDS

The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal and interest.

CAPITAL PROJECTS FUNDS

The capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUNDS

The proprietary fund is used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following is the City's proprietary fund type:

ENTERPRISE FUND

The enterprise fund is used to account for the City's sewer, fitness center, and the golf course operations. It is financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. BASIS OF PRESENTATION – FUND ACCOUNTING (CONTINUED)

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City has no trust funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to a specific fund and those of general government, and between long term liabilities related to specific funds and those of a general nature, the following account groups are used:

GENERAL FIXED ASSETS ACCOUNT GROUP

The general fixed assets account group is used to account for fixed assets other than those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure.

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

The general long-term obligations account group is used to account for all unmatured long-term obligations of the City that are not a specific liability of the proprietary funds.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is thirty-one days after year-end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, and income taxes.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2001, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

Levied special assessments are measurable and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expense. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The proprietary fund types utilize the accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year-end.

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BUDGETARY PROCESS

The City follows these procedures in establishing the budgetary data reported in the combined financial statements:

TAX BUDGET

A tax budget of estimated revenue and expenditures for all 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. All funds, except Agency funds, are legally required to be budgeted.

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.

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 money from a new revenue source is received or if actual receipts exceed current estimates. The amounts set forth in the financial statements represent estimates from the final amended certificate issued for 2001.

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. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations. Several supplemental appropriation measures were legally enacted during 2001 by Council.

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BUDGETARY PROCESS (CONTINUED)

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. For all funds, except capital project funds, council appropriations are made to personal services, travel and education, contractual services, supplies and materials, capital outlay, debt principal and interest payments, and transfer accounts for each department. Capital Project Funds are appropriated by department or project. The appropriations set by Council must remain fixed unless amended by Council ordinance. More detailed 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.

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. 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.

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 over for the subsequent year's expenditures and is reappropriated.

D. CASH AND CASH EQUIVALENTS

The City pools individual cash balances in a bank account and short-term cash equivalents for investment purposes. These balances are stated at cost or amortized cost.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments with original maturities of three months or less are considered to be cash equivalents.

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. CASH AND CASH EQUIVALENTS (CONTINUED)

POLICIES AND PRACTICES

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 vehicles license fees (street maintenance and state highway special revenue funds). All remaining interest is allocated to the general fund.

E. INVENTORY

Inventory is valued at cost on a first-in, first-out basis. At December 31, 2001 the General and Enterprise Funds maintained the only significant inventory. The costs of governmental fund type inventories are recorded as expenditures in the fund when purchased. The reserve for inventory indicates that a portion of the fund balance is not available for future expenditures. For proprietary funds, inventory is expended when consumed.

F. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which it was consumed. At December 31, 2001, the amount of the prepaid items was not material.

G. FIXED ASSETS

The fixed asset values were initially determined at December 31, 1988, by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair value on the date donated.

GENERAL FIXED ASSETS

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Assets in the general fixed assets account group are not depreciated.

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. FIXED ASSETS (CONTINUED)

GENERAL FIXED ASSETS (CONTINUED)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost in the general fixed asset account group.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the government. In addition, intangible assets such as software and licenses are not capitalized.

PROPRIETARY FUND FIXED ASSETS

Fixed assets associated with sewer enterprise fund activities are accounted for in that fund. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. The assets of the sewer enterprise fund are depreciated on the following basis:

	<u>Years</u>
Buildings	7 – 45
Machinery and Equipment	6 – 40
Vehicles	5 – 7
Sewer Lines	40

CAPITALIZATION OF INTEREST

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2001, net interest costs incurred on construction projects were not material.

H. INTERGOVERNMENTAL REVENUES

In governmental funds, federal grants awarded on a non-reimbursement basis and federal entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Federal reimbursable-type grants are recorded as intergovernmental receivables and revenues in the period when all applicable eligibility requirements have been met and the resources are available.

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. INTERFUND ASSETS AND LIABILITIES

Receivables and payables resulting from transactions between funds for services provided or goods received and agency funds assets due to operating funds are classified as “due from other funds” and “due to other funds” on the combined balance sheet. Short-term interfund loans are classified as “interfund receivables/payables.”

J. COMPENSATED ABSENCES

In conformity with GASB Statement No. 16, the City accrues vacation and compensatory time benefits as earned by its employees if the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Likewise, the City accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the pay rates in effect at December 31, 2001. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Accumulated vacation leave must be taken within three months after year end or be forfeited unless approved by the Mayor or Council by motion.

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, upon retirement from the City, and 30 years of service for Public Employees Retirement System (PERS) employees and 15 years of service for retiring police and fire employees.

For governmental funds, the City provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

K. LONG-TERM OBLIGATIONS

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. LONG-TERM OBLIGATIONS (CONTINUED)

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the capital projects and enterprise funds, and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt retirement fund has been split among the appropriate funds and account group. Debt Service Fund resources used to pay both principal and interest have also been allocated accordingly.

L. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

Nonrecurring and nonroutine transfers of equity between funds, capital contributions to the Enterprise fund, the subsequent return of all or part of such contributions, and the transfer of residual balances of discontinued funds or projects to the General fund, Capital Projects fund, or Debt Service funds (when financed with debt proceeds) are classified as residual equity transfers.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

M. FUND EQUITY

Reservations of fund balance or retained earnings indicate that a portion of the balance is not available for expenditure or is legally segregated for a specific future use. Balances are reserved for inventories of materials and supplies, encumbrances, debt service and capital improvements.

N. 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 GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. CONTRIBUTED CAPITAL

Contributed capital represents donations by developers, contributions made by the City and assets whose construction was financed by special assessments. These assets are recorded at their fair market value on the date contributed and are not subject to repayment.

Prior to 1988, the City had not prepared its financial statements in accordance with generally accepted accounting principles. Therefore, the exact amount of contributed capital pertaining to years prior to 1988 cannot be determined. It has been the policy of the City to construct and acquire capital assets used in operations of the sewer fund with resources of the capital projects funds or through donations by developers. These assets are recorded as contributed capital in the accompanying combined financial statements.

P. MEMORANDUM ONLY – TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS

Total columns on the Combined Financial Statements are captioned “(Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – 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 Combined Statements of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – All Governmental Fund Types and the Statement of Revenues, Expenses, and Changes in Fund Balance – Budget and Actual – All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental Funds, and note disclosure for Proprietary Funds (GAAP basis).

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the governmental funds and proprietary funds are as follows:

	<u>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ 229,836	\$ (11,511,856)	\$ 485,495	\$ 3,359,268
Increase (Decrease) Due To:				
Revenue Accruals	(177,911)	(17,793)	(7,084)	(118,141)
Expenditure Accruals	(77,787)	6,128	-	263,360
Outstanding Encumbrances	<u>(396,631)</u>	<u>(87,171)</u>	<u>-</u>	<u>(1,595,546)</u>
Budget Basis	\$ <u>(422,493)</u>	\$ <u>(11,610,692)</u>	\$ <u>478,411</u>	\$ <u>1,908,941</u>

	<u>Excess Revenues Over (Under) Expenses, Advances and Transfers/Net Income (Loss)</u>	
	<u>Proprietary Fund Type Enterprise</u>	
Net Loss	\$ (1,406,169)	
Increase (Decrease) Due To:		
Revenue Accruals	2,429,395	
Expenses Accruals	(2,515,022)	
Outstanding Encumbrances	(16,204)	
Depreciation Expense	<u>1,302,046</u>	
Budget Basis	\$ <u>(205,954)</u>	

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 4 – DEPOSITS AND INVESTMENTS

The City's Charter specifies that investments of the City will adhere to State statutes. Under these statutes, the Finance Director is responsible for selecting depositories and investing funds. The City, by statute, is to limit deposits and investments of City funds to insured demand deposit accounts, certificates of deposit, United States treasury bills, or obligations of other United States governmental agencies for which the principal and interest is guaranteed by the United States government, and repurchase agreements.

Protection of City cash and investments is provided by the various federal deposit insurance corporations as well as qualified securities pledged by the institutions holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110% of public funds deposited. At least quarterly the City determines that the collateral has a market value adequate to cover the deposits. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of the City's deposits was \$346,115 and the bank balance was \$736,235. Of the bank balance:

1. \$200,000 was covered by the federal depository insurance, by collateral held by the City or by collateral held by a qualified third party trustee in the name of the City.
2. \$536,235 was uninsured and uncollateralized as defined by the GASB because the collateral pledged by the financial institutions or their trust departments or agents is not in the City's name.

The City's investments are detailed below and are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

<u>Description</u>	<u>Risk Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase Agreements	\$ 2,256,000	\$ 2,256,000	\$ 2,256,000
State Treasurer's Investment Pool (STAROhio) *	<u>-</u>	<u>18,276,068</u>	<u>18,276,068</u>
	<u>\$ 2,256,000</u>	<u>\$ 20,532,068</u>	<u>\$ 20,532,068</u>

* Noncategorized

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

STAROhio is an investment pool managed by the State Treasurer's office 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, 2001.

NOTE 5 – RECEIVABLES

A. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1997. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. 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.

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 5 – RECEIVABLES (CONTINUED)

The full tax rate for all City operations for the year ended December 31, 2001, was \$6.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Category	<u>Assessed Value</u>
Real Estate	\$ 446,504,500
Public Utility	11,976,010
Tangible Personal	<u>137,382,484</u>
Total	\$ <u>595,862,994</u>

B. INCOME TAXES

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

The City, by ordinance, allocates income tax revenues and expenditures for collecting, administering, and enforcing the tax to the general and capital projects funds. Income tax revenue for 2001 on a GAAP basis was \$17,022,301. The actual cash collected in 2001 was \$16,531,981.

NOTE 6 – FIXED ASSETS

A. GENERAL FIXED ASSETS

Changes in general fixed assets during 2001 were as follows:

	<u>Balances</u> <u>12-31-00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>12-31-01</u>
Land	\$ 2,394,976	\$ 14,785,280	\$ -	\$ 17,180,256
Land Improvements	1,160,122	-	-	1,160,122
Buildings	5,788,445	-	-	5,788,445
Machinery and Equipment	6,868,148	80,333	-	6,948,481
Vehicles	<u>4,407,858</u>	<u>420,913</u>	<u>(277,716)</u>	<u>4,551,055</u>
Total	\$ <u>20,619,549</u>	\$ <u>15,286,526</u>	\$ <u>(277,716)</u>	\$ <u>35,628,359</u>

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 6 – FIXED ASSETS (CONTINUED)

B. ENTERPRISE FUND FIXED ASSETS

For fiscal year 2001, the beginning balance of sewer fund assets was reduced due to the estimated cost of replacement being lower than the estimate used in prior periods, thereby decreasing accumulated depreciation.

The changes in Enterprise Fund fixed assets during 2001 were as follows:

Description	December 31, 2000	Adjustment/ Reclassification	Restated Balance January 1, 2001	Additions	Deletions	December 31, 2001
Land and Land Improvements	\$ 2,733,767	\$ -	\$ 2,733,767	\$ -	\$ -	\$ 2,733,767
Buildings and Improvements	23,938,779	-	23,938,779	-	-	23,938,779
Machinery and Equipment	1,536,703	-	1,536,703	83,177	-	1,619,880
Vehicles	148,700	-	148,700	38,434	(14,402)	172,732
Sewer Lines	<u>60,606,833</u>	<u>(30,774,003)</u>	<u>29,832,830</u>	<u>545,466</u>	<u>-</u>	<u>30,378,296</u>
Total	88,964,782	(30,774,003)	58,190,779	667,077	(14,402)	58,843,454
Less: Accumulated Depreciation	<u>(24,664,337)</u>	<u>10,004,063</u>	<u>(14,660,274)</u>	<u>(1,302,046)</u>	<u>14,402</u>	<u>(15,947,918)</u>
Net Fixed Assets	\$ <u>64,300,445</u>	\$ <u>(20,769,940)</u>	\$ <u>43,530,505</u>	\$ <u>(634,969)</u>	\$ <u>-</u>	\$ <u>42,895,536</u>

NOTE 7 – DEBT OBLIGATIONS

A. NOTE DEBT

Note debt activity for the year ended December 31, 2001 consisted of the following:

<u>GENERAL OBLIGATION NOTES</u>	Balance December 31, 2000, Restated	Issued (Retired)	Balance December 31, 2001
4.75% 1997 Gleneagles Golf Course, due through 2001	\$ 2,466,000	\$ (2,466,000)	\$ -
5.00% 2000 Park Land & Conservation, due through 2001	10,500,000	(10,500,000)	-
5.75% 2001 Darrow Road Acquisition, due through 2002	<u>-</u>	<u>3,000,000</u>	<u>3,000,000</u>
Total General Obligation Notes	\$ <u>12,966,000</u>	\$ <u>(9,966,000)</u>	\$ <u>3,000,000</u>

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 7 – DEBT 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, 2001 was as follows:

	Balance December 31, 2000	Issued (Retired)	Balance December 31, 2001
<u>GENERAL OBLIGATION BONDS</u>			
3.30% TO 7.038% 2001 Park Land and Conservation, due through 2021	\$ -	\$ 10,500,000	\$ 10,500,000
2.85% to 16.21% 2001 Senior Citizens Center, due through 2021	-	<u>2,400,000</u>	<u>2,400,000</u>
Total General Obligation Bonds	\$ <u>-</u>	\$ <u>12,900,000</u>	\$ <u>12,900,000</u>

SPECIAL ASSESSMENT BONDS

6.24% 1991 Cannon/Case North/Darrow Water Improvement, due through 2011	\$ 210,000	\$ (110,000)	\$ 100,000
4.75% Case Parkway South, due through 2002	140,000	(70,000)	70,000
5.00% Creekside/Glenwood Improvement, due through 2013	165,000	(45,000)	120,000
6.00% Darrow/Chamberlin, due through 2015	<u>120,000</u>	<u>(18,000)</u>	<u>102,000</u>
Total Special Assessment Bonds	\$ <u>635,000</u>	\$ <u>(243,000)</u>	\$ <u>392,000</u>

ENTERPRISE FUND BONDS

2.85% to 16.21% 2001 Golf Course	\$ <u>-</u>	\$ <u>2,445,000</u>	\$ <u>2,445,000</u>
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C. OTHER LONG-TERM OBLIGATIONS

	Balance December 31, 2000	Issued (Retired)	Balance December 31, 2001
Accrued Compensated Absences	\$ <u>343,619</u>	\$ <u>129,778</u>	\$ <u>473,397</u>
Total All Long-Term Obligations	\$ <u>343,619</u>	\$ <u>129,778</u>	\$ <u>473,397</u>

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 7 – DEBT OBLIGATIONS (CONTINUED)

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2001 were as follows:

<u>Year</u>	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2002	\$ 560,000	\$ 662,620	\$ 108,000	\$ 21,745	\$ 1,352,365
2003	585,000	642,120	38,000	16,210	1,281,330
2004	600,000	620,620	38,000	14,000	1,272,620
2005	532,780	693,081	38,000	11,790	1,275,651
2006	532,220	694,610	23,000	9,580	1,259,410
2007-2011	3,080,000	3,058,607	115,000	28,250	6,281,857
2012-2016	4,155,000	1,984,542	32,000	3,300	6,174,842
2017-2021	<u>5,300,000</u>	<u>823,525</u>	<u>-</u>	<u>-</u>	<u>6,123,525</u>
Totals	\$ <u>15,345,000</u>	\$ <u>9,179,725</u>	\$ <u>392,000</u>	\$ <u>104,875</u>	\$ <u>25,021,600</u>

Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefited from the project. Special assessment monies will be received in, and the debt will be retired through, the Special Assessment Bond Retirement Debt Service Fund. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

NOTE 8 – 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, 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.

At December 31, 2001 the current amount of unpaid compensated absences and the balance of the liability in the General Long-Term Obligations Account Group were \$224,415 and \$473,397, respectively. The liability for compensated absences in the proprietary fund at December 31, 2001 was \$165,002.

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 9 – DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City of Twinsburg contributes to the Public Employees Retirement System of Ohio (the “System”), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The System issues a stand-alone financial report. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4042 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2001 employer contribution rate for local governments was 13.55 percent of covered payroll. The City’s contributions to the System for the years ended December 31, 2001, 2000 and 1999 were \$572,190, \$373,518, and \$490,507, respectively, equal to the required contributions for each year.

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 24.0 percent for firefighters. The City of Twinsburg’s contributions to OP&F for the years ending December 31, 2001, 2000 and 1999 were \$708,594, \$702,551, and \$600,319, respectively, equal to the required contributions for each year.

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.55 percent of covered payroll; 4.30 percent was the portion used to fund health care for the year. During 2001, the City's portion that was used to fund health care was \$265,991, representing 4.3 percent of covered payroll.

The postretirement health care coverage is advance-funded on an actuarially determined basis. The following assumptions and calculations were based on PERS's latest actuarial review performed as of December 31, 2000; an entry age normal actuarial cost method of valuation is used in determining the present value of benefit liabilities; the difference between assumed and actual experience is part of the unfunded actuarial accrued liability; the investment assumption rate for 2000 was 7.75 percent; all investments are carried at market value; for actuarial valuation purposes, a smoothed market approach is used – meaning that assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets; individual pay increases are assumed to increase 4.75 percent compounded annually, with no change in the number of active employees; annual pay increases over and above the 4.75 percent base increase were assumed to range from 0.54 percent to 5.1 percent; and health care costs are assumed to increase 4.75 percent annually. The actuarially accrued postretirement health care liability for PERS at December 31, 2000 was \$14,364,600,000. The net assets were \$11,735,900,000, leaving an unfunded actuarial accrued liability of \$2,628,700,000. The number of active participants was 411,076.

B. OHIO POLICE AND FIRE PENSION FUND

The Ohio Police and Fire Pension Fund ("OP&F") provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll. The Ohio Revised Code provides the statutory authority allowing the Ohio Police and Fire Pension Fund's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.25 percent and 7.50 percent of covered payroll in 2000 and 2001, respectively. The allocation is 7.75 percent in 2002. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 10 – POSTEMPLOYMENT BENEFITS (CONTINUED)

The number of participants eligible to receive health care benefits as of December 31, 2000, the date of the last actuarial valuation available, was 12,853 for police and 10,037 for firefighters. The City's actual contributions for 2001 that were used to fund post-employment benefits were \$126,390 for police and \$118,743 for firefighters. OP&F's total health care expenses for the year ending December 31, 2000, the date of the last actuarial valuation available, was \$106,160,054, which was net of member contributions of \$5,657,431.

NOTE 11 – RISK MANAGEMENT

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

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

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

NOTE 12 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The operations of the Enterprise Funds are accounted for, financed and recorded in a manner similar to that of private enterprises whereby it is the City's intent that the costs of providing these goods or services be financed primarily through user charges.

Segment information for the Enterprise Funds is summarized as follows:

For the Year Ended December 31, 2001:	<u>Sewer</u>	<u>Golf Course</u>	<u>Fitness Center</u>	<u>Total</u>
Operating Revenues	\$ 1,966,485	\$ 1,192,180	\$ 741,579	\$ 3,900,244
Depreciation Expense	991,523	278,369	32,154	1,302,046
Operating Loss	(1,641,196)	(24,615)	(359,117)	(2,024,928)
Net Income (Loss)	(1,329,836)	(142,216)	65,883	(1,406,169)
Operating Transfers – In	-	-	425,000	425,000
Current Contributed Capital	545,466	-	-	545,466
Net Working Capital	2,920,977	125,794	52,656	3,099,427
Total Assets	32,366,105	11,437,778	2,983,836	46,787,719
Bonds Outstanding	100,000	2,445,000	-	2,545,000
Total Fund Equity	31,512,151	11,367,948	569,864	43,449,963

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 13 – OPERATING TRANSFERS

The City's Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget (Non-GAAP Budgetary Basis) and Actual – All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity – Budget (Non-GAAP Budgetary Basis) and Actual – All Proprietary Fund types display operating transfers-in and -out for the year ended December 31, 2001. A reconciliation of operating transfers budgeted are as follows:

	<u>Operating Transfers-In</u>	<u>Operating Transfers-Out</u>
General Fund	\$ -	\$ 831,000
Special Revenue Funds	487,820	935,913
Debt Service Funds	939,963	85,870
Enterprise Fund	<u>425,000</u>	<u>-</u>
Totals	<u>\$ 1,852,783</u>	<u>\$ 1,852,783</u>

NOTE 14 – CONTINGENCIES/PENDING LITIGATION

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

NOTE 15 – COMPLIANCE AND ACCOUNTABILITY – FUND EQUITY DEFICIT

The Enterprise Fund had a deficit retained earnings at December 31, 2001, of \$11,745,913 as a result of accumulated operating losses and the issuance of new debt. The deficit will be eliminated as rates are increased and debt is paid down.

CITY OF TWINSBURG, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR FUND BALANCES

For 2001, the City implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, recognized an additional long-term obligation, and restated fixed asset balances. In order to recognize the prior year balances for the change in accounting principle, previously unrecognized liability, and reduction of the fixed asset balances, the beginning of the year balances were restated as follows:

	<u>General Fund</u>
Fund Balance, December 31, 2000	\$ 3,263,231
GASB 33 Adjustment:	
Income Tax Revenue	<u>137,526</u>
Fund Balances, January 1, 2001	\$ <u><u>3,400,757</u></u>

In December 2000, the City had sold notes that were misstated as property tax revenue. Since these notes were refinanced as bonds in 2001, there is no fund balance adjustment necessary in the Special Revenue Fund.

	<u>General Long-term Obligation Account Group</u>
Notes Payable, December 31, 2000	\$ -
Note Payable Adjustment	<u>10,500,000</u>
Notes Payable, January 1, 2001	\$ <u><u>10,500,000</u></u>

Due to an incorrect replacement cost used for the sewer lines, the following adjustments have been made in order to restate the January 1, 2001 retained earnings and contributed capital balances:

	<u>Enterprise Fund</u>
Retained Earnings, December 31, 2000	\$ (20,343,807)
Accumulated Depreciation Adjustment	<u>10,004,063</u>
Retained Earnings, January 1, 2001, Restated	\$ <u><u>(10,339,744)</u></u>
Contributed Capital, December 31, 2000	\$ 85,424,413
Fixed Asset Adjustment	<u>(30,774,003)</u>
Contributed Capital, January 1, 2001	\$ <u><u>54,650,410</u></u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Member of the City Council
Twinsburg, Ohio

We have audited the financial statements of the City of Twinsburg, as of and for the year ended December 31, 2001, wherein we noted that the City reclassified certain assets to the General and Enterprise Fund Types, and have issued our report thereon dated March 28, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Twinsburg's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2001-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Twinsburg's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control which might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting, which we have reported to management of the City of Twinsburg in a separate letter dated March 28, 2002.

Member of the City Council
Twinsburg, Ohio

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This report is intended solely for the information and use of the City Council, Management, Auditor of State's Office, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "C. J. ...". The signature is written in a cursive style with a large initial letter.

Cleveland, Ohio
March 28, 2002

CITY OF TWINSBURG, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	Yes

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

2001-01 Per ORC Section 5705.41(D), no order or contract involving the expenditure of money is to be made unless there is attached a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriated fund free from any previous encumbrances.

During our review of expenditures, Ciuni & Panichi, Inc. noted instances where purchase orders were issued after the City received the invoice.

3. OTHER FINDINGS

None.

CITY OF TWINSBURG, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2001

	Finding Summary	Fully Corrected?	Explanation
2000-01	Purchase orders dated after invoice	No	The City had noncompliance in this area again in the year 2001.
2000-02	Appropriations exceeding certificate of estimated resources	Yes	Corrected
2000-03	Blanket purchase orders exceeded three months and fiscal year	Yes	Corrected

CITY OF TWINSBURG

**10075 RAVENNA ROAD
TWINSBURG, OHIO 44087
(330) 425-7161**

**RESPONSE TO FINDINGS ASSOCIATED WITH
AUDIT CONDUCTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
FOR THE YEAR ENDED DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-01	The City is in the process of implementing a centralized purchasing system to ensure expenditures are properly encumbered	Not applicable	Jo Anne Terry, Finance Director



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF TWINSBURG

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 9, 2002**