

# **City Of Twinsburg, Ohio**

## **Basic Financial Statements**

**December 31, 2002**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the City of Twinsburg, Summit County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2002 through December 31, 2002. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

July 1, 2003

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# **CITY OF TWINSBURG, OHIO**

FOR THE YEAR ENDED DECEMBER 31, 2002

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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  
City of Twinsburg, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twinsburg as of and for the year ended December 31, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Twinsburg's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twinsburg, as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15, during the year ended December 31, 2002, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statements No. 34, 37, 38 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2003 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.



Members of the City Council  
City of Twinsburg, Ohio

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Cini & Parichi, Inc.*

Cleveland, Ohio  
June 13, 2003



# **CITY OF TWINSBURG, OHIO**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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The discussion and analysis of the City of Twinsburg's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2002. 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 2002 are as follows:

- ◆ The assets of the City of Twinsburg exceeded its liabilities at the close of the most recent fiscal year by \$100,558,919. Of this amount, \$19 million may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets increased by \$3,207,154, which represents an increase of approximately 1.98 percent over 2001. The biggest change was an increase in the Depreciable Capital Assets by \$3,340,635.
- ◆ Total liabilities increased by \$987,654, which represents an increase of 4.55 percent over 2001. The main factors contributing to this increase was an increase of \$2,664,620 in long-term liabilities specifically a general obligation bond issue. However, there was a decrease of \$3,000,000 in the notes payable category.
- ◆ In total, net assets in governmental activities increased by \$3,653,841 during 2002. This represents a 3.77 percent increase from 2001.

#### **Using this Annual Financial Report**

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

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

##### *Statement of Net Assets and the Statement of Activities*

The Statement of Net Assets presents information on all the City of Twinsburg's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City of Twinsburg is improving or deteriorating. However, in evaluating the overall position of the City, non-financial 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

# **CITY OF TWINSBURG, OHIO**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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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.

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 29 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General fund, Park Debt Service fund, Capital Improvement Capital Projects fund and the Senior Center Capital Projects fund, all of which are considered to be major funds.

# **CITY OF TWINSBURG, OHIO**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### *Proprietary Funds*

The City of Twinsburg maintains 3 different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer operations and fitness center and golf course activity.

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

The basic proprietary fund financial statements can be found starting on page 26 of this report.

#### *Notes to the Financial Statements*

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 30 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, OHIO**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

Table 1 provides a summary of the City's net assets for 2002 as compared to 2001.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
<b>Assets</b>						
Current and Other Assets	\$24,081,564	\$22,859,024	\$ 2,536,160	\$ 3,892,181	\$ 26,617,724	\$ 26,751,205
Capital Assets, Net	96,181,737	92,438,841	42,611,347	43,013,608	138,793,084	135,452,449
<i>Total Assets</i>	120,263,301	115,297,865	45,147,507	46,905,789	165,410,808	162,203,654
<b>Liabilities</b>						
Current Liabilities and Other Liabilities	3,413,876	1,596,481	568,815	792,756	3,982,691	2,389,237
Long-term Liabilities						
Due Within One Year	683,226	3,658,646	105,000	100,000	788,226	3,758,646
Due In More Than One Year	15,607,280	13,137,660	2,340,000	2,445,000	17,947,280	15,582,660
<i>Total Liabilities</i>	19,704,382.0	18,392,787	3,013,815	3,337,756	22,718,197	21,730,543
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	80,492,737	76,246,841	40,166,347	40,468,608	120,659,084	116,715,449
Restricted for:						
Capital Projects	14,550,181	14,247,243	0	0	14,550,181	14,247,243
Debt Service	338,395	538,272	0	0	338,395	538,272
Unrestricted	5,177,606	5,872,722	1,967,345	3,099,425	7,144,951	8,972,147
<i>Total Net Assets</i>	\$100,558,919	\$96,905,078	42,133,692	\$43,568,033	\$142,692,611	140,473,111

Total assets remained at about \$165,410,808. Even though the cash and cash equivalents decreased by \$1,298,576, an increase in capital assets of \$3,340,635 offset this decrease primarily due to accumulated depreciation and the deletion of fully depreciated capital assets.

The total net assets of the City increased by \$2,219,500. The following factors were responsible for this increase:

# **CITY OF TWINSBURG, OHIO**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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During 2002, the City's estate tax revenue was \$55,225 less than in 2001.

- Cash and cash equivalents showed a decrease of \$1,298,576 over 2001.
- A reduction in notes payable of \$3,000,000.
- An increase in debt proceeds of \$3,065,000.
- An increase of \$3,340,635 in the capital assets.

The City has tried to make concerted efforts to maximize the return on investments of its cash and cash equivalents and use these funds to provide liquidity for planned future capital purchases. Due to the interest rates in the past year, the investments have shifted from short term CD's and government notes and bills to longer-term federal government agency issues. However, even though the State code allows for investments with maturities of five years or less, the City has not invested in any instrument with a maturity of more than two years.

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

The City of Twinsburg is also part of Integrated Consulting Services for workers' compensation, which helped save approximately \$59,453 in premiums for the year as compared to being strictly a State funded employer. 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 also, as much as possible, to help keep the City premises an injury free work place. 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 3.29 percent in 2002. 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. However, since this is the first year the City has prepared financial statements following GASB 34, revenue and expense comparisons to 2001 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

# CITY OF TWINSBURG, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

### FOR THE YEAR ENDED DECEMBER 31, 2002

Table 2  
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
	2002	2002	2002
<b>Program Revenues</b>			
Charges for Services	\$2,329,405	\$4,191,586	\$6,520,991
Operating Grants and Contributions	1,522,930	-	1,522,930
<i>Total Program Revenues</i>	3,852,335	4,191,586	8,043,921
<b>General Revenues</b>			
Property Taxes	991,318	199,080	1,190,398
Income Taxes	17,786,417	-	17,786,417
Grants and Entitlements	2,468,101	-	2,468,101
Investment Earnings	380,991	6,745	387,736
<i>Total Revenues</i>	25,479,162	4,397,411	29,876,573
<b>Program Expenses</b>			
General Government	5,913,506		5,913,506
Security of Persons and Property	6,833,178		6,833,178
Public Health Services	209,155		209,155
Transportation	3,027,931		3,027,931
Leisure Time Activities	1,700,747		1,700,747
Community Environment+A59	2,677,694		2,677,694
Basic Utility Services	329,369		329,369
Interest and Fiscal Charges	808,741		808,741
Sewer	-	3,688,226	3,688,226
Golf Course	-	1,195,848	1,195,848
Fitness Center	-	1,272,678	1,272,678
Transfers	325,000	(325,000)	-
<i>Total Program Expenses</i>	21,825,321	5,831,752	27,657,073
<i>Change in Net Assets</i>	<u>\$3,653,841</u>	<u>(\$1,434,341)</u>	<u>\$2,219,500</u>

# **CITY OF TWINSBURG, OHIO**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### *Governmental Activities*

Several revenue sources fund our governmental activities with the City income tax being the largest contributor. The City's income tax rate is two percent on gross income and has not changed since 1997. Residents of the City who work in another community and pay the withholding tax for that community receive a 100 percent tax credit on their City tax for 100 percent, the credit limit being 2 percent. During 2002, the revenues generated from this tax amounted to \$17,786,417. The increase in revenues from 2001 was 6.44 percent resulting from revenue received when deposited. The City continues to enforce the delinquent letter program and the subpoena program to ensure compliance with the local tax laws. As expected, investment earnings continued to drop as the Federal Reserve maintained its thrust on rate cuts.

Security of Persons and Property and Transportation are the major activities of the City generating 46 percent of the governmental expenses. Currently, there are 34 full-time sworn officers in the police department. The City of Twinsburg was recently rated number 42 amongst the top 64 communities with regards to its safety forces in an annual study conducted by Cleveland Magazine. During 2002, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology. In 2001, the jail was converted to a five-day holding facility to reduce the costs of operations of a full-fledged jail and the liabilities associated with running such a facility. The court-sanctioned self-supporting juvenile diversion program which was put in effect in 1998 proved to be a success. The City was reimbursed \$4,000 during 2002 from Summit County. The City also received \$48,096 for the Cops In Schools Grant from the Department of Justice.

The fire department consists of 30 full-time and 25 part-time fire fighters. All but one of these fire fighters is fully trained paramedics. Again, training plays a crucial role in the day-to-day operation of the fire department. Techniques such as driving rodeos, live practice burn-downs, continuing education classes, practice drills and watching training videos help keep the men and women updated to perform their jobs most efficiently. The department handled 2,078 calls for assistance of which approximately 1,466 were for EMS and the rest for fire and fire related incidents. This constituted a decrease of 3.84 percent over 2001. The total amount spent on overtime expenses during 2002 was \$115,439 as compared to \$94,046 during 2001. The total cost of operating the Fire and EMS department during 2002 was \$3,302,840 within the General Fund.

The City also has an annual road program entailing major and minor resurfacing of the various streets in Twinsburg. The reconstruction of Rt 91-Darrow Road was essentially completed during 2002. Twenty-three percent of the total project cost of \$5,835,554 was funded by the Ohio Public Works Commission by way of a grant.

#### *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 \$1,434,341.

Net program expense exceeded program revenue in the amount of \$1,506,369 for the sewer operations for 2002. This is due to decreased contributions required to cover the City's share of operating expenses of the Sewer Fund.

# **CITY OF TWINSBURG, OHIO**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2002**

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### **The City's Funds**

#### *Governmental Funds*

Information about the City's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$25,661,840 and expenditures of \$28,752,258. The net change in fund balance for the year was most significant in the Capital Improvement Capital Projects Fund showing an increase in fund balance of \$1,107,048 due to the fact the fund receives income tax money to be used to improve the City. The General Fund reflected a decrease of \$447,162, however, the beginning fund balance of \$3,661,439 is more than ample to meet these times of lower revenues. 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, budget basis revenue was \$540,292 over the original budget estimates of \$14,687,429. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenue areas. The original appropriations of \$15,118,150 was sufficient to meet the expenditures for the year, which ended up at \$14,550,290 or \$1,919,430 less than anticipated due to a hiring freeze, reduced travel and conservative spending.

The City's ending unobligated budgetary fund balance was \$1,255,880 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 page 26 through 29 of this report.



# CITY OF TWINSBURG, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### Capital Assets and Debt Administration

##### *Capital Assets*

At the end of fiscal 2002, the City of Twinsburg had \$138,793,124 invested in land, buildings, equipment and infrastructure.

Table 3 shows fiscal 2002 balances of Capital Assets as compared to 2001:

Table 3  
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Totals	
	2002	2001	2002	2001	2002	2001
Land and Land Improvements	\$18,340,378	\$18,340,378	\$2,733,767	\$2,733,767	\$21,074,145	\$21,074,145
Buildings and Improvements	7,770,117	5,787,085	23,938,779	23,938,779	31,708,896	29,725,864
Machinery and Equipment	7,006,207	6,912,212	1,678,662	1,658,313	8,684,869	8,570,525
Vehicles	4,703,213	4,483,671	134,299	134,299	4,837,512	4,617,970
Infrastructure						
Roads	31,795,638	29,383,433	-	-	31,795,638	29,383,433
Water Mains	26,898,321	25,141,253	-	-	26,898,321	25,141,253
Storm Sewers and Culverts	26,719,485	25,901,837			26,719,485	25,901,837
Traffic Lights and Signs	584,473	584,473			584,473	584,473
Street Lights	1,294,402	1,294,402			1,294,402	1,294,402
Sanitary Sewer Lines			23,039,360	22,548,000	23,039,360	22,548,000
Less: Accumulated Depreciation	(28,930,497)	(25,389,903)	(8,913,480)	(7,999,550)	(37,843,977)	(33,389,453)
Total Capital Assets	\$96,181,737	\$92,438,841	\$42,611,387	\$43,013,608	\$138,793,124	\$135,452,449

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. Police cars are replaced every 12 months. The older vehicles are either traded in to the dealers or sold to the highest bidder at auction.

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

# CITY OF TWINSBURG, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

### FOR THE YEAR ENDED DECEMBER 31, 2002

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possible pricing from contractors. This program is paid for out of the Capital Improvement Fund of the City. Capital assets for business-type activities decreased by \$402,221 due to the City's reduction in asset purchases and an increase in accumulated depreciation.

The City is committed to a long-term goal of meeting the needs of its infrastructure and facilities. We have a five-year capital plan in place that provides for street improvements and adding additional facilities to complement our current structures.

#### **Debt**

At December 31, 2002, the City of Twinsburg had \$18,134,000 in outstanding debt and compensated absences, of which \$17,850,000 was in General Obligation Bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4  
Outstanding Debt at Year End

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2002	2001	2002	2001	2002	2001
General Obligation Bonds	\$ 15,495,000	\$ 12,900,000	\$ 2,355,000	\$ 2,445,000	\$ 17,850,000	\$ 15,345,000
Special Assessment Bonds	194,000	292,000	90,000	100,000	284,000	392,000
Compensated Absences	601,506	604,306	-	-	601,506	604,306
Total	<u>\$ 16,290,506</u>	<u>\$ 13,796,306</u>	<u>\$ 2,445,000</u>	<u>\$ 2,545,000</u>	<u>\$ 18,735,506</u>	<u>\$ 16,341,306</u>

At December 31, 2002, the City's overall legal debt margin was \$50,781,548. At year-end, the outstanding general obligation debt was \$17,850,000 and the outstanding Special Assessment bonds were \$284,000. Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in the notes to the basic financial statements.

# **CITY OF TWINSBURG, OHIO**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### **Current Related Financial Activities**

The City of Twinsburg is strong financially. In addition, the City of Twinsburg's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City of Twinsburg with full disclosure of the financial position of the City.

The Administration and City Council developed a master plan for the acquisition or equipment, parkland development, building or upgrading of City facilities. As a result, we have seen a remarkable increase in our capital assets over that period of time and the expansion of all City services.

On behalf of the City of Twinsburg, we personally thank Ciuni and Panichi, Inc., for their involvement and support in putting together the GASB 34 statements. Ciuni & Panichi, Inc. has committed themselves toward leading the way and providing necessary guidance to enable us to reach a level of excellence.

#### **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, Jo Anne Terry, City of Twinsburg, 10075 Ravenna Road, Twinsburg, Ohio 44087, telephone (330) 425-7161, or web site at [www.twinsburg.oh.us](http://www.twinsburg.oh.us).

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# CITY OF TWINSBURG, OHIO

## STATEMENT OF NET ASSETS

### FOR THE YEAR ENDED DECEMBER 31, 2002

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 17,700,504	\$ 1,879,103	\$ 19,579,607
Materials and Supplies Inventory	104,656	26,095	130,751
Accrued Interest Receivable	13,780	395	14,175
Accounts Receivable	19,991	551,583	571,574
Intergovernmental Receivable	1,051,956	-	1,051,956
Taxes Receivable	5,110,452	-	5,110,452
Special Assessments Receivable	80,225	78,984	159,209
Non-Depreciable Capital Assets	17,180,256	2,681,150	19,861,406
Depreciable Capital Assets, Net	<u>79,001,481</u>	<u>39,930,197</u>	<u>118,961,678</u>
Total Assets	<u>120,263,301</u>	<u>45,147,507</u>	<u>165,410,808</u>
<u>Liabilities</u>			
Accounts Payable	1,344,210	261,888	1,606,098
Accrued Wages and Benefits	400,913	224,332	625,245
Intergovernmental Payable	578,137	73,808	651,945
Accrued Interest Payable	61,759	8,787	70,546
Deferred Revenue	1,028,857	-	1,028,857
Long-Term Liabilities:			
Due Within One Year	683,226	105,000	788,226
Due In More Than One Year	<u>15,607,280</u>	<u>2,340,000</u>	<u>17,947,280</u>
Total Liabilities	<u>19,704,382</u>	<u>3,013,815</u>	<u>22,718,197</u>
<u>Net Assets</u>			
Investment in Capital Assets, Net of Related Debt	80,492,737	40,166,347	120,659,084
Restricted For:			
Capital Projects	14,550,181	-	14,550,181
Debt Service	338,395	-	338,395
Unrestricted	<u>5,177,606</u>	<u>1,967,345</u>	<u>7,144,951</u>
Total Net Assets	<u>\$ 100,558,919</u>	<u>\$ 42,133,692</u>	<u>\$ 142,692,611</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, 2002

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<u>Government Activities</u>			
General Government	\$ 5,913,506	\$ 691,391	\$ -
Security of Persons and Property	6,833,178	611,501	149,153
Public Health and Welfare	209,155	-	-
Transportation	3,027,931	179,927	1,363,163
Leisure Time Activities	1,700,747	342,408	-
Community Development	2,677,694	504,178	10,614
Basic Utility Service	329,369	-	-
Interest and Fiscal Charges	808,741	-	-
Total Governmental Activities	<u>21,500,321</u>	<u>2,329,405</u>	<u>1,522,930</u>
<u>Business-Type Activities</u>			
Sewer	3,688,226	2,181,857	-
Golf Course	1,195,848	1,143,373	-
Fitness Center	<u>1,272,678</u>	<u>866,356</u>	<u>-</u>
Total Business-Type Activities	<u>6,156,752</u>	<u>4,191,586</u>	<u>-</u>
Totals	\$ <u>27,657,073</u>	\$ <u>6,520,991</u>	\$ <u>1,522,930</u>

#### General Revenues

Property and other Local Taxes Levied for:

General Purposes

Debt Service

Municipal Income Taxes Levied for:

General Purposes

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Income

Transfers

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

The accompanying notes are an integral part of these financial statements

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (5,222,115)	\$ -	\$ (5,222,115)
(6,072,524)	-	(6,072,524)
(209,155)	-	(209,155)
(1,484,841)	-	(1,484,841)
(1,358,339)	-	(1,358,339)
(2,162,902)	-	(2,162,902)
(329,369)	-	(329,369)
(808,741)	-	(808,741)
<u>(17,647,986)</u>	<u>-</u>	<u>(17,647,986)</u>
-	(1,506,369)	(1,506,369)
-	(52,475)	(52,475)
<u>-</u>	<u>(406,322)</u>	<u>(406,322)</u>
<u>-</u>	<u>(1,965,166)</u>	<u>(1,965,166)</u>
<u>(17,647,986)</u>	<u>(1,965,166)</u>	<u>(19,613,152)</u>
566,276	-	566,276
425,042	199,080	624,122
11,972,306	-	11,972,306
5,814,111	-	5,814,111
2,468,101	-	2,468,101
380,991	6,745	387,736
<u>(325,000)</u>	<u>325,000</u>	<u>-</u>
<u>21,301,827</u>	<u>530,825</u>	<u>21,832,652</u>
3,653,841	(1,434,341)	2,219,500
<u>96,905,078</u>	<u>43,568,033</u>	<u>140,473,111</u>
\$ <u>100,558,919</u>	\$ <u>42,133,692</u>	\$ <u>142,692,611</u>

The accompanying notes are an integral part of these financial statements

# CITY OF TWINSBURG, OHIO

## BALANCE SHEET GOVERNMENTAL FUNDS

**DECEMBER 31, 2002**

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	<u>General</u>	<u>Park Debt</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 1,883,918	\$ 50,697
Income taxes receivable	2,964,608	792,425
Accounts receivable	9,222	2,327
Accrued interest receivable	13,780	-
Intergovernmental receivable	510,054	-
Special assessments receivable	-	-
Materials and supplies inventory	104,656	-
Total Assets	\$ <u>5,486,238</u>	\$ <u>845,449</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Accounts payable	\$ 300,476	-
Accrued wages	339,292	-
Accrued compensated absences	61,620	-
Intergovernmental payable	363,761	-
Deferred revenue	1,206,812	752,995
Total Liabilities	<u>2,271,961</u>	<u>752,995</u>
<u>Fund Balances</u>		
Reserve for encumbrances	90,399	-
Reserve for inventory	104,656	-
Unreserved	3,019,222	92,454
Total Fund Balances	<u>3,214,277</u>	<u>92,454</u>
Total Liabilities and Fund Balances	\$ <u>5,486,238</u>	\$ <u>845,449</u>

The Accompanying Notes are an Integral Part of These Basic Financial Statements



<u>Capital Improvement</u>	<u>Senior Center</u>	<u>Other Governmental</u>	<u>Total</u>
\$ 10,219,034	\$ 1,529,589	\$ 4,017,266	\$ 17,700,504
988,203	-	365,216	5,110,452
6,580	-	1,862	19,991
-	-	-	13,780
305,820	-	236,082	1,051,956
-	-	80,225	80,225
-	-	-	104,656
<u>\$ 11,519,637</u>	<u>\$ 1,529,589</u>	<u>\$ 4,700,651</u>	<u>\$ 24,081,564</u>
\$ 341,736	\$ 228,777	\$ 473,222	\$ 1,344,211
-	-	-	339,292
-	-	-	61,620
-	-	214,376	578,137
<u>308,792</u>	<u>-</u>	<u>558,843</u>	<u>2,827,442</u>
<u>650,528</u>	<u>228,777</u>	<u>1,246,441</u>	<u>5,150,702</u>
1,233,616	904,374	1,672,564	3,900,953
-	-	-	104,656
<u>9,635,493</u>	<u>396,438</u>	<u>1,781,646</u>	<u>14,925,253</u>
<u>10,869,109</u>	<u>1,300,812</u>	<u>3,454,210</u>	<u>18,930,862</u>
<u>\$ 11,519,637</u>	<u>\$ 1,529,589</u>	<u>\$ 4,700,651</u>	<u>\$ 24,081,564</u>

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# CITY OF TWINSBURG, OHIO

## RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

**DECEMBER 31, 2002**

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\*

Total Governmental Funds Balances \$ 18,930,862

*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. 96,181,737

Other Long-Term Assets are not available to pay for current-period expenditures and therefore are deferred in the Funds.

Property and Other Taxes	57,606
Municipal Income Taxes	1,280,466
Special Assessments	80,225
Intergovernmental	<u>380,288</u>

Total 1,798,585

In the Statement of Activities, Interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due. (61,759)

Long-Term Liabilities are not due and payable in the current period and are therefore not reported in the Funds.

General Obligation Bonds	(15,495,000)
Special Assessment Bonds	(194,000)
Compensated Absences	<u>(601,506)</u>

Total (16,290,506)

*Net Assets of Governmental Activities* \$ 100,558,919

The Accompanying Notes are an Integral Part of These Basic Financial Statements

# CITY OF TWINSBURG, OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

**FOR THE YEAR ENDED DECEMBER 31, 2002**

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	<u>General</u>	<u>Park Debt</u>
<u>Revenues</u>		
Property Taxes	\$ -	\$ 506,115
Municipal Income Tax	11,898,942	-
Other Local Taxes	211,938	-
Intergovernmental	869,801	2,327
Charges for Services	574,675	-
License and Permits	508,542	-
Fines and Forfeitures	74,040	-
Special Assessments	-	-
Investment Income	372,614	-
Reimbursements Received	337,028	-
Miscellaneous Income	219,620	-
Total Revenues	<u>15,067,200</u>	<u>508,442</u>
<u>Expenditures</u>		
Current Operations and Maintenance:		
Security of Persons and Property	5,965,753	-
Public Health	209,155	-
Leisure Time Activities	1,470,841	-
Community Development	1,743,144	-
Basic Utility Service	-	-
Transportation	3,097,270	-
General Government	2,281,621	-
Capital Outlay	-	-
Debt Service:		
Principal Retirement	-	380,000
Interest and Fiscal Charges	-	460,428
Total Expenditures	<u>14,767,784</u>	<u>840,428</u>
Excess of Revenues Over (Under) Expenditures	<u>299,416</u>	<u>(331,986)</u>
<u>Other Financing Sources (Uses)</u>		
Proceeds from Sale of Debt	-	-
Operating Transfers – In	-	-
Operating Transfers – Out	(746,578)	-
Total Other Financing Sources (Uses)	<u>(746,578)</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(447,162)	(331,986)
Fund Balance at Beginning of Year	<u>3,661,439</u>	<u>424,440</u>
Fund Balance at End of Year	\$ <u>3,214,277</u>	\$ <u>92,454</u>

The Accompanying Notes are an Integral Part of These Basic Financial Statements

<u>Capital Improvement</u>	<u>Senior Center</u>	<u>Other Governmental</u>	<u>Total</u>
\$ -	\$ -	\$ 365,528	\$ 871,643
5,989,024	-	-	17,887,966
-	-	-	211,938
1,009,076	-	1,976,721	3,857,925
20,617	-	383,385	978,677
-	-	178,792	687,334
-	-	435	74,475
-	-	121,972	121,972
-	-	8,377	380,991
6,580	-	15,017	358,625
-	-	10,674	230,294
<u>7,025,297</u>	<u>-</u>	<u>3,060,901</u>	<u>25,661,840</u>
-	-	816,185	6,781,938
-	-	-	209,155
-	-	85,732	1,556,573
-	870,411	12,353	2,625,908
329,369	-	-	329,369
-	-	2,025,367	5,122,637
242,786	-	-	2,524,407
5,058,512	228,777	-	5,287,289
-	-	3,188,000	3,568,000
-	-	286,554	746,982
<u>5,630,667</u>	<u>1,099,188</u>	<u>6,414,191</u>	<u>28,752,258</u>
<u>1,394,630</u>	<u>(1,099,188)</u>	<u>(3,353,290)</u>	<u>(3,090,418)</u>
-	-	3,065,000	3,065,000
-	-	709,160	709,160
<u>(287,582)</u>	<u>-</u>	<u>-</u>	<u>(1,034,160)</u>
<u>(287,582)</u>	<u>-</u>	<u>3,774,160</u>	<u>2,740,000</u>
1,107,048	(1,099,188)	420,870	(350,418)
<u>9,762,061</u>	<u>2,400,000</u>	<u>3,033,340</u>	<u>19,281,280</u>
\$ <u>10,869,109</u>	\$ <u>1,300,812</u>	\$ <u>3,454,210</u>	\$ <u>18,930,862</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, 2002

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Net Change in Fund Balances - Total Governmental Funds \$ (350,418)

*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	7,283,490	
Depreciation	<u>(3,540,594)</u>	
Total		3,742,896

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	28,242	
Municipal Income Taxes	(101,549)	
Special Assessments	(242,477)	
Intergovernmental	<u>133,106</u>	
Total		(182,678)

Other Financing Sources in the Governmental Funds that increase Long-Term Liabilities in the Statement of Net Assets. These sources were attributed to proceeds of bonds. (3,065,000)

Repayment of Bond Principal is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. 3,568,000

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	2,800	
Accrued Interest on Bonds	<u>(61,759)</u>	
Total		<u>(58,959)</u>

Change in Net Assets of Governmental Activities \$ 3,653,841

The Accompanying Notes are an Integral Part of These Basic Financial Statements

# CITY OF TWINSBURG, OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2002

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<u>Revenues</u>				
Municipal Income Taxes	\$ 11,540,566	\$ 11,050,000	\$ 11,438,144	\$ 388,144
Other Local Taxes	213,919	287,160	212,020	(75,140)
Intergovernmental	770,985	1,034,954	764,143	(270,811)
Charges For Services	621,203	833,890	615,690	(218,200)
Licenses and Permits	546,195	697,134	508,542	(188,592)
Fines and Forfeitures	74,703	100,280	74,040	(26,240)
Investment Income	398,483	534,914	394,946	(139,968)
Reimbursements Received	299,790	391,939	337,028	(54,911)
Other	221,585	297,450	219,618	(77,832)
Total Revenue	<u>14,687,429</u>	<u>15,227,721</u>	<u>14,564,171</u>	<u>(663,550)</u>
<u>Expenditures</u>				
Current Operations and Maintenance:				
Security of Persons and Property	5,968,261	6,426,351	5,759,901	666,450
Public Health	216,736	233,402	209,155	24,247
Leisure Time Activities	1,536,509	1,653,477	1,483,306	170,171
Community Development	1,859,566	1,998,275	1,796,475	201,800
Transportation	3,127,481	3,367,938	3,018,110	349,828
General Government	2,409,597	2,790,277	2,283,343	506,934
Total Expenditures	<u>15,118,150</u>	<u>16,469,720</u>	<u>14,550,290</u>	<u>1,919,430</u>
Excess of Revenues Over (Under) Expenditures	(430,721)	(1,241,999)	13,881	1,255,880
Other Financing Sources (Uses)				
Operating Transfers – Out	(773,637)	(746,578)	(746,578)	-
Total Other Financing Sources and (Uses)	<u>(773,637)</u>	<u>(746,578)</u>	<u>(746,578)</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,204,358)	(1,988,577)	(732,697)	1,255,880
Outstanding Encumbrance at Year End	92,575	92,575	92,575	-
Fund Balance at Beginning of Year	<u>2,524,040</u>	<u>2,524,040</u>	<u>2,524,040</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,412,257</u>	<u>\$ 628,038</u>	<u>\$ 1,883,918</u>	<u>\$ 1,255,880</u>

The Accompanying Notes are an Integral Part of These Basic Financial Statements

# CITY OF TWINSBURG, OHIO

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

**DECEMBER 31, 2002**

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Sewer Fund</u>	<u>Golf Course Fund</u>	<u>Fitness Center</u>	
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,613,699	\$ 139,345	\$ 126,059	\$ 1,879,103
Accounts Receivable	551,583	-	-	551,583
Accrued Interest Receivable	395	-	-	395
Special Assessments Receivable	78,984	-	-	78,984
Materials and Supplies Inventory	26,095	-	-	26,095
Non-Depreciable Capital Assets	31,150	2,650,000	-	2,681,150
Depreciable Capital Assets, Net	<u>28,748,551</u>	<u>161,461</u>	<u>11,020,185</u>	<u>39,930,197</u>
Total Assets	<u>31,050,457</u>	<u>2,950,806</u>	<u>11,146,244</u>	<u>45,147,507</u>
<u>Liabilities</u>				
Accounts Payable	253,307	8,448	133	261,888
Accrued Wages	76,810	-	-	76,810
Accrued Compensated Absences	145,936	362	1,224	147,522
Intergovernmental Payable	73,808	-	-	73,808
Accrued Interest Payable	446	8,341	-	8,787
Long-Term Liabilities:				
Due Within One Year	10,000	95,000	-	105,000
Due in More Than one Year	<u>80,000</u>	<u>2,260,000</u>	<u>-</u>	<u>2,340,000</u>
Total Liabilities	<u>640,307</u>	<u>2,372,151</u>	<u>1,357</u>	<u>3,013,815</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	28,689,701	456,461	11,020,185	40,166,347
Unreserved	<u>1,720,449</u>	<u>122,194</u>	<u>124,702</u>	<u>1,967,345</u>
Total Net Assets	<u>\$ 30,410,150</u>	<u>\$ 578,655</u>	<u>\$ 11,144,887</u>	<u>\$ 42,133,692</u>

The Accompanying Notes are an Integral Part of These Basic Financial Statements



# CITY OF TWINSBURG, OHIO

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Sewer Fund</u>	<u>Golf Course Fund</u>	<u>Fitness Center</u>	
<u>Operating Revenues</u>				
Charges for Services	\$ 2,027,337	\$ 1,143,033	\$ 863,208	\$ 4,033,578
Other	<u>36,000</u>	<u>-</u>	<u>3,148</u>	<u>39,148</u>
Total Operating Revenues	<u>2,063,337</u>	<u>1,143,033</u>	<u>866,356</u>	<u>4,072,726</u>
<u>Operating Expenses</u>				
Personal Services	1,385,841	524,385	745,214	2,655,440
Materials and Supplies Inventory	164,911	164,660	39,958	369,529
Contractual Services	1,529,848	245,056	209,137	1,984,041
Utilities	-	121,063	-	121,063
Depreciation	<u>601,376</u>	<u>34,184</u>	<u>278,369</u>	<u>913,929</u>
Total Operating Expenses	<u>3,681,976</u>	<u>1,089,348</u>	<u>1,272,678</u>	<u>6,044,002</u>
Operating Income (Loss)	<u>(1,618,639)</u>	<u>53,685</u>	<u>(406,322)</u>	<u>(1,971,276)</u>
<u>Non-Operating Revenue (Expenses)</u>				
Investment Income	6,745	-	-	6,745
Interest and Fiscal Charges	(6,250)	(106,500)	-	(112,750)
Special Assessments	199,080	-	-	199,080
Reimbursements Received	<u>118,520</u>	<u>340</u>	<u>-</u>	<u>118,860</u>
Total Non-Operating Revenues (Expenses)	<u>318,095</u>	<u>(106,160)</u>	<u>-</u>	<u>211,935</u>
Loss Before Transfers	(1,300,544)	(52,475)	(406,322)	(1,759,341)
Operating Transfers – In	-	125,000	200,000	325,000
Change in Net Assets	(1,300,544)	72,525	(206,322)	(1,434,341)
Total Net Assets at Beginning of Year	<u>31,710,694</u>	<u>506,130</u>	<u>11,351,209</u>	<u>43,568,033</u>
Total Net Assets at End of Year	\$ <u>30,410,150</u>	\$ <u>578,655</u>	\$ <u>11,144,887</u>	\$ <u>42,133,692</u>

The Accompanying Notes are an Integral Part of These Basic Financial Statements

# CITY OF TWINSBURG, OHIO

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Business – Type Activities</u>			<u>Total</u>
	<u>Sewer Fund</u>	<u>Golf Course Fund</u>	<u>Fitness Center</u>	
<u>Cash Flows From Operating Activities</u>				
Cash Received from Customers	\$ 2,008,792	\$ 1,143,033	\$ 863,208	\$ 4,015,033
Cash Payments for Personal Services	(1,336,500)	(524,415)	(743,028)	(2,603,943)
Cash Payments for Travel and Education	(39)	(3,365)	(963)	(4,367)
Cash Payments for Contractual Services	(1,430,385)	(367,996)	(260,522)	(2,058,903)
Cash Payments for Vendors for Supplies and Materials	(167,187)	(157,978)	(39,958)	(365,123)
Other Operating Receipts	<u>-</u>	<u>-</u>	<u>3,148</u>	<u>3,148</u>
Net Cash Provided by (Used in) Operating Activities	<u>(925,319)</u>	<u>89,279</u>	<u>(178,115)</u>	<u>(1,014,155)</u>
<u>Cash flows From Capital and Related Financing Activities</u>				
Principal Paid on Debt Maturities	(10,000)	(90,000)	-	(100,000)
Interest Paid on Debt	(6,300)	(104,188)	-	(110,488)
Acquisition of Capital Assets	<u>(491,360)</u>	<u>(20,309)</u>	<u>-</u>	<u>(511,669)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(507,660)</u>	<u>(214,497)</u>	<u>-</u>	<u>(722,157)</u>
<u>Cash Flows From Investing Activities</u>				
Interest Received	<u>6,350</u>	<u>-</u>	<u>-</u>	<u>6,350</u>
<u>Cash Flows From Non-Capital Financing Activities</u>				
Operating Transfers – In	-	125,000	200,000	325,000
Special Assessments	120,096	-	-	120,096
Reimbursements Received	<u>126,120</u>	<u>340</u>	<u>-</u>	<u>126,460</u>
Net Cash Provided by Non-Capital Financing Activities	<u>246,216</u>	<u>125,340</u>	<u>200,000</u>	<u>571,556</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,180,413)	122	21,885	(1,158,406)
Cash and Cash Equivalents at Beginning of Year	<u>2,794,112</u>	<u>139,223</u>	<u>104,174</u>	<u>3,037,509</u>
Cash and Cash Equivalents at End of Year	\$ <u>1,613,699</u>	\$ <u>139,345</u>	\$ <u>126,059</u>	\$ <u>1,879,103</u>

Continued

The Accompanying Notes are an Integral Part of These Financial Statements

# **CITY OF TWINSBURG, OHIO**

## STATEMENT OF CASH FLOWS (CONTINUED) PROPRIETARY FUND TYPES

**FOR THE YEAR ENDED DECEMBER 31, 2002**

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	<u>Business – Type Activities</u>			<u>Total</u>
	<u>Sewer Fund</u>	<u>Golf Course Fund</u>	<u>Fitness Center</u>	
<u>Reconciliation of Operating Loss to Net Cash From Operating Activities</u>				
Operating Loss	\$ (1,618,639)	\$ 53,685	\$ (406,322)	\$ (1,971,276)
Adjustment to Reconcile Operating Loss to Net Cash From Operating Activities:				
Depreciation	601,376	34,184	278,369	913,929
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(54,545)	-	-	(54,545)
Decrease in Material and Supplies Inventory	1,239	-	-	1,239
Increase in Accounts Payable	95,948	4,805	(51,385)	49,368
Increase in Due to Other Governments	(5,606)	-	-	(5,606)
Decrease in Accrued Wages and Benefits	70,217	-	-	70,217
Increase in Compensated Absences	<u>(15,309)</u>	<u>(3,395)</u>	<u>1,223</u>	<u>(17,481)</u>
Net Cash Used in Operating Activities	\$ <u>(925,319)</u>	\$ <u>89,279</u>	\$ <u>(178,115)</u>	\$ <u>(1,014,155)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

# **CITY OF TWINSBURG, OHIO**

## NOTES TO BASIC FINANCIAL STATEMENTS

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### **NOTE 1 – THE REPORTING ENTITY**

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

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

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

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

#### **JOINTLY GOVERNED ORGANIZATIONS**

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

# **CITY OF TWINSBURG, OHIO**

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### 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 2002. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Twinsburg have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. 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.

# **CITY OF TWINSBURG, OHIO**

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### A. BASIS OF PRESENTATION (CONTINUED)

##### GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

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.

##### 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. Fiduciary funds are reported by type.

##### 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:

# **CITY OF TWINSBURG, OHIO**

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### B. FUND ACCOUNTING (CONTINUED)

###### GENERAL FUND

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

###### PARK DEBT FUND

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

###### CAPITAL IMPROVEMENT FUND

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

###### SENIOR CENTER FUND

The senior center fund accounts for expenditures to support the senior center.

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

###### 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.

# **CITY OF TWINSBURG, OHIO**

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### B. FUND ACCOUNTING (CONTINUED)

###### 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.

##### 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.

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.



# **CITY OF TWINSBURG, OHIO**

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### D. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary 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 thirty-one 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 5).

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.

##### 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, 2002, but which were levied to finance year 2003 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.

# **CITY OF TWINSBURG, OHIO**

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### D. BASIS OF ACCOUNTING

###### 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 fund level. Line item appropriations may be transferred between the accounts with the approval of the City Manager, Finance Director and respective department head. 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.

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 2002. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2002.

# CITY OF TWINSBURG, OHIO

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### E. BUDGETARY PROCESS (CONTINUED)

###### 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 over for the subsequent year's expenditures and is 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. For all funds, except capital projects funds, 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, 2002**

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### E. BUDGETARY PROCESS (CONTINUED)

###### ENCUMBRANCES

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are 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, 2002.

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

##### G. INVENTORY

Inventories are stated at cost, on the first-in, first-out basis. The cost of inventory items is recorded as expenditures in the governmental fund types and expenses in the proprietary fund types when used.

# CITY OF TWINSBURG, OHIO

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### H. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2002, 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 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	45 years
Machinery and Equipment	10 to 15 years
Vehicles	6 years
Infrastructure	65 years

# **CITY OF TWINSBURG, OHIO**

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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.

##### K. COMPENSATED ABSENCES

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

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

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

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

##### L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

# **CITY OF TWINSBURG, OHIO**

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### M. FUND BALANCE RESERVES

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

##### N. 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.

##### 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 2002.

# CITY OF TWINSBURG, OHIO

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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.

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

	<u>General</u>
GAAP Basis	\$ (447,162)
Increase (Decrease) Due To:	
Revenue Accruals	(503,029)
Expenditure Accruals	310,069
Outstanding Encumbrances	<u>(92,575)</u>
Budget Basis	\$ <u>(732,697)</u>



# CITY OF TWINSBURG, OHIO

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### 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 \$5,578,843 and the bank balance was \$5,804,614. Of the bank balance:

1. \$500,000 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. \$5,304,614 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>Fair Value</u>
Repurchase Agreements	\$ 13,052,000	\$ 13,052,000
State Treasurer's Investment Pool (STAROhio) *	_____ - _____	_____ 948,764
	\$ <u>13,052,000</u>	\$ <u>14,000,764</u>

\* Noncategorized

# **CITY OF TWINSBURG, OHIO**

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### 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, 2002.

#### 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 BASIC FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### NOTE 5 – RECEIVABLES (CONTINUED)

##### A. PROPERTY TAXES (CONTINUED)

The full tax rate for all City operations for the year ended December 31, 2002, was \$6.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Category	<u>Assessed Value</u>
Real Estate	\$ 465,009,010
Public Utility	9,732,840
Tangible Personal	<u>154,380,151</u>
Total	\$ <u>629,122,001</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. The actual cash collected in 2002 was \$17,597,145.

##### C. INTERGOVERNMENTAL RECEIVABLES

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Local Government and Local Government	
Revenue Assistance	\$ 447,635
Estate Tax	45,298
Gasoline and Excise Tax	172,879
Motor Vehicle License Fees	24,291
Permissive Motor Vehicle License Tax	7,134
State Grant	305,820
County Grant	23,570
Twinsburg Board of Education	3,021
Enterprise Zone Agreement	5,402
City of Shaker Heights	4,994
Cuyahoga Falls Municipal Court	6,205
Summit County Sheriff's Department	<u>5,707</u>
Total	\$ <u>1,051,956</u>

# CITY OF TWINSBURG, OHIO

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED DECEMBER 31, 2002

#### NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2002, was as follows:

	Balances 12/31/2001	Adjustment/ Reclassification	Restated Balance 12/31/2001	Additions	Deletions	Balances 2002
<u>Governmental Activities</u>						
Capital Assets not being						
Depreciated:						
Land	\$ 17,180,256	\$ -	\$ 17,180,256	\$ -	\$ -	\$ 17,180,256
Capital Assets being						
Depreciated:						
Land Improvements	1,160,122	-	1,160,122	-	-	1,160,122
Buildings	5,788,445	(1,360)	5,787,085	1,983,032	-	7,770,117
Machinery and Equipment	6,948,481	(36,269)	6,912,212	93,995	-	7,006,207
Vehicles	4,551,055	(67,384)	4,483,671	219,542	-	4,703,213
Infrastructure:						
Roads	29,383,433	-	29,383,433	2,412,205	-	31,795,638
Water Mains	25,141,253	-	25,141,253	1,757,068	-	26,898,321
Storm Sewers and Culverts	25,901,837	-	25,901,837	817,648	-	26,719,485
Traffic Signs and Signals	584,473	-	584,473	-	-	584,473
Street Lights	1,294,402	-	1,294,402	-	-	1,294,402
Total Capital Assets being Depreciated	<u>100,753,501</u>	<u>(105,013)</u>	<u>100,648,488</u>	<u>7,283,490</u>	<u>-</u>	<u>107,931,978</u>
Less Accumulated Depreciation:						
Land Improvements	(530,831)	-	(530,831)	(81,315)	-	(612,146)
Buildings	(1,645,140)	-	(1,645,140)	(154,969)	-	(1,800,109)
Machinery and Equipment	(1,523,419)	-	(1,523,419)	(258,880)	-	(1,782,299)
Vehicles	(1,163,071)	-	(1,163,071)	(296,186)	-	(1,459,257)
Infrastructure:						
Roads	(13,512,954)	-	(13,512,954)	(1,561,400)	-	(15,074,354)
Water Mains	(2,447,775)	-	(2,447,775)	(268,983)	-	(2,716,758)
Storm Sewers and Culverts	(3,744,552)	-	(3,744,552)	(445,324)	-	(4,189,876)
Traffic Signs and Signals	(372,003)	-	(372,003)	(23,379)	-	(395,382)
Street Lights	(450,158)	-	(450,158)	(450,158)	-	(900,316)
Total Accumulated Depreciation	<u>(25,389,903)</u>	<u>-</u>	<u>(25,389,903)</u>	<u>(3,540,594)</u>	<u>-</u>	<u>(28,930,497)</u>
Net Capital Assets being Depreciated	<u>75,363,598</u>	<u>(105,013)</u>	<u>75,258,585</u>	<u>3,742,896</u>	<u>-</u>	<u>79,001,481</u>
Governmental Activities Capital						
Assets, Net	\$ <u>92,543,854</u>	\$ <u>(105,013)</u>	\$ <u>92,438,841</u>	\$ <u>3,742,896</u>	\$ <u>-</u>	\$ <u>96,181,737</u>

# CITY OF TWINSBURG, OHIO

## NOTES TO BASIC FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2002

#### NOTE 6 – CAPITAL ASSETS (CONTINUED)

<u>Business-Type Activities</u>	<u>December 31, 2001</u>	<u>Adjustment/ Reclassification</u>	<u>Restated Balance January 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2002</u>
Capital Assets not being Depreciated:						
Land	\$ 2,681,150	\$ -	\$ 2,681,150	\$ -	\$ -	\$ 2,681,150
Capital Assets being Depreciated:						
Land Improvements	52,617	-	52,617	-	-	52,617
Buildings and Improvements	23,938,779	-	23,938,779	-	-	23,938,779
Machinery and Equipment	1,619,880	38,433	1,658,313	20,309	-	1,678,622
Vehicles	172,732	(38,433)	134,299	-	-	134,299
Sewer Lines	<u>30,378,296</u>	<u>(7,830,296)</u>	<u>22,548,000</u>	<u>491,360</u>	<u>-</u>	<u>23,039,360</u>
Total Capital Assets Being Depreciated	56,162,304	(7,830,296)	48,332,008	511,669	-	48,843,677
Less: Accumulated Depreciation	<u>(15,947,918)</u>	<u>7,948,368</u>	<u>(7,999,550)</u>	<u>(913,930)</u>	<u>-</u>	<u>(8,913,480)</u>
Net Capital Assets Being Depreciated	<u>40,214,386</u>	<u>118,072</u>	<u>40,332,458</u>	<u>(402,261)</u>	<u>-</u>	<u>39,930,197</u>
Total Business-Type Activities Capital Assets, Net	\$ <u>42,895,536</u>	\$ <u>118,072</u>	\$ <u>43,013,608</u>	\$ <u>(402,261)</u>	\$ <u>-</u>	\$ <u>42,611,347</u>

Depreciation expense was charged to governmental activities as follows:

Community Development	\$ 48,835
General Government	128,407
Leisure Time Activities	141,600
Security of Persons and Property	316,345
Transportation	<u>2,905,407</u>
Total	\$ <u>3,540,594</u>

#### NOTE 7 – 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 Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
<u>General Obligation Bonds</u>			
Park Land and Conservation	2001	3.30% - 7.04%	10,500,000
Senior Citizens Center	2001	2.85% - 16.21%	2,399,997
Darrow Road Improvement	2002	2.00% - 4.80%	3,065,000
<u>Special Assessment Bonds</u>			
Case Parkway South	1992	4.75%	715,000

# CITY OF TWINSBURG, OHIO

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED DECEMBER 31, 2002

#### NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

##### A. ORIGINAL ISSUES (CONTINUED)

Creekside/Glenwood Improvement	1993	5.00%	462,000
Darrow/Chamberlain	1995	6.00%	191,875
<u>Enterprise Fund Bonds</u>			
Golf Course Refunding Bonds	1996	2.85% - 16.21%	2,800,000
Cannon/Case North/Darrow Water Impr.	1991	5.40% - 10.00%	1,150,000

##### B. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2002 was as follows:

	Balance December 31, 2001	Issued (Retired)	Balance December 31, 2002	Due in One Year
<u>General Obligation Bonds</u>				
Park Land and Conservation, due through 2021	\$ 10,500,000	\$ (380,000)	\$ 10,120,000	\$ 395,000
Senior Citizens Center, due through 2021	2,400,000	(90,000)	2,310,000	95,000
Darrow Road Improvement, due through 2022	-	3,065,000	3,065,000	75,000
Total General Obligation Bonds	<u>12,900,000</u>	<u>2,595,000</u>	<u>15,495,000</u>	<u>565,000</u>
<u>Special Assessment Bonds</u>				
Case Parkway South, due through 2002	70,000	(70,000)	-	-
Creekside/Glenwood Improvement, due through 2013	120,000	(10,000)	110,000	10,000
Darrow/Chamberlin, due through 2015	<u>102,000</u>	<u>(18,000)</u>	<u>84,000</u>	<u>18,000</u>
Total Special Assessment Bonds	<u>292,000</u>	<u>(98,000)</u>	<u>194,000</u>	<u>28,000</u>
Accrued Compensated Absences, Restated	<u>604,306</u>	<u>(2,800)</u>	<u>601,506</u>	<u>90,226</u>
Total Governmental Long-Term Liabilities	<u>13,796,306</u>	<u>2,494,200</u>	<u>16,290,506</u>	<u>683,226</u>

**CITY OF TWINSBURG, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

C. OTHER LONG-TERM OBLIGATIONS

	Balance December 31, <u>2001</u>	Issued (Retired) <u></u>	Balance December 31, <u>2002</u>	Due in One Year <u></u>
<u>BUSINESS-TYPE ACTIVITIES</u>				
<u>General Obligation Bonds</u>				
Golf Course Refunding Bonds	2,445,000	(90,000)	2,355,000	95,000
<u>Special Assessment Bonds</u>				
Cannon/Case North/Darrow				
Water Improvement, due through 2011	<u>100,000</u>	<u>(10,000)</u>	<u>90,000</u>	<u>10,000</u>
Total Business-Type Long-Term Obligations	<u>2,545,000</u>	<u>(100,000)</u>	<u>2,445,000</u>	<u>105,000</u>
Total Long-Term Obligations	\$ <u>16,341,306</u>	\$ <u>2,394,200</u>	\$ <u>18,735,506</u>	\$ <u>788,226</u>

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2002 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>	
2003	\$ 660,000	\$ 802,650	\$ 38,000	\$ 16,210	\$ 1,516,860
2004	715,000	739,518	38,000	14,000	1,506,518
2005	647,780	809,679	38,000	11,790	1,507,249
2006	652,220	808,620	23,000	9,580	1,493,420
2007	619,840	842,600	23,000	8,270	1,493,710
2008-2012	4,015,160	3,286,747	105,000	21,700	7,428,607
2013-2017	5,175,000	2,134,843	19,000	1,580	7,330,423
2018-2022	<u>5,365,000</u>	<u>707,650</u>	<u>-</u>	<u>-</u>	<u>6,072,650</u>
Totals	\$ <u>17,850,000</u>	\$ <u>10,132,307</u>	\$ <u>284,000</u>	\$ <u>83,130</u>	\$ <u>28,349,437</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.

# CITY OF TWINSBURG, OHIO

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### NOTE 8 – BOND ANTICIPATION NOTES PAYABLE

Note debt activity for the year ended December 31, 2002 consisted of the following:

	Balance December 31, <u>2001, Restated</u>	Issued <u>(Retired)</u>	Balance December 31, <u>2002</u>
<u>General Obligation Notes Payable</u>			
5.75% 2002 Darrow Road Acquisition, due through 2002	\$ <u>3,000,000</u>	\$ <u>(3,000,000)</u>	\$ <u>-</u>
Total General Obligation Notes	\$ <u>3,000,000</u>	\$ <u>(3,000,000)</u>	\$ <u>-</u>

#### NOTE 9 – COMPENSATED ABSENCES

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

Sick leave is earned at the rate of ten hours per month for full-time employees and 4.6 hours per eighty hours worked by part-time employees. Each employee with the City is paid for up to 180 days or a maximum of 1,440 hours, 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 10 – DEFINED BENEFIT PENSION PLANS

##### A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City of Twinsburg contributes to the Ohio Public Employees Retirement System (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 Ohio 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 2002 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, 2002, 2001 and 2000 were \$547,165 and \$572,190, and \$373,518, respectively, equal to the required contributions for each year.



# **CITY OF TWINSBURG, OHIO**

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

##### 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, 2002, 2001 and 2000 were \$756,275, \$708,594, and \$702,551, respectively, equal to the required contributions for each year.

#### NOTE 11 – POSTEMPLOYMENT BENEFITS

##### A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) 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 OPERS 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; 5.0 percent was the portion used to fund health care for the year. During 2002, the City's portion that was used to fund health care was \$319,980, representing 5.0 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 OPERS's latest actuarial review performed as of December 31, 2001; 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 2001 was 8.0 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 4.0 percent compounded annually, with no change in the number of active employees; annual pay increases over and above the 4.0 percent base increase were assumed to range from 0.50 percent to 6.3 percent; and health care costs are assumed to increase 4.0 percent annually. The actuarially accrued postretirement health care liability for OPERS at December 31, 2001 was \$16,400,000,000. The net assets were \$11,600,000,000, leaving an unfunded actuarial accrued liability of \$4,800,000,000. The number of active participants was 402,041.

# **CITY OF TWINSBURG, OHIO**

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### **FOR THE YEAR ENDED DECEMBER 31, 2002**

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#### NOTE 11 – POSTEMPLOYMENT BENEFITS (CONTINUED)

##### 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 7.75 percent and 7.50 percent of covered payroll in 2002 and 2001, respectively. 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.

The number of participants eligible to receive health care benefits as of December 31, 2001, the date of the last actuarial valuation available, was 13,174 for police and 10,239 for firefighters. The City’s actual contributions for 2002 that were used to fund post-employment benefits were \$141,517 for police and \$129,231 for firefighters. OP&F’s total health care expenses for the year ending December 31, 2001, the date of the last actuarial valuation available, was \$122,298,771, which was net of member contributions of \$6,874,699.

#### NOTE 12 – RISK MANAGEMENT

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

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

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

# CITY OF TWINSBURG, OHIO

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### NOTE 13 – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2002, consisted of the following:

<u>Transfer to</u>	<u>Transfer From</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvement</u>	
Nonmajor Governmental Funds	\$ 421,578	\$ 287,582	\$ 709,160
Golf Course	125,000	-	125,000
Fitness Center	<u>200,000</u>	<u>-</u>	<u>200,000</u>
	\$ <u>746,578</u>	\$ <u>287,582</u>	\$ <u>1,034,160</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.

The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

#### NOTE 14 – CONTINGENCIES/PENDING LITIGATION

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

#### NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR FUND BALANCES

##### A. CHANGES IN ACCOUNTING PRINCIPLES

For 2002, the City has implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on a accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

# CITY OF TWINSBURG, OHIO

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED DECEMBER 31, 2002

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#### NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR FUND BALANCES (CONTINUED)

##### A. CHANGES IN ACCOUNTING PRINCIPLES (CONTINUED)

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2001, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

##### B. RESTATEMENT OF FUND BALANCE

	Total Governmental Activities	Business-Type Activities
Fund Balance, December 31, 2001	\$ 19,281,280	\$ 43,449,963
GASB 34 Adjustments:		
Capital Assets	92,438,841	118,070
Long-Term Liabilities	(16,796,306)	-
Long-Term (Deferred) Assets	<u>1,981,263</u>	<u>-</u>
Governmental Activities Net Assets, December 31, 2001	\$ <u>96,905,078</u>	\$ <u>43,568,033</u>



Creating economic value through  
knowledge, innovation, commitment, and service

CIUNI & PANICHI  
INC.

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS CONSULTING FIRM

a C&P Advisors Company

Report On Compliance And On Internal Control Over  
Financial Reporting Based On An Audit Of Financial Statements  
Performed In Accordance With *Government Auditing Standards*

Members of the City Council  
City of Twinsburg, Ohio

We have audited the financial statements of the City of Twinsburg, Ohio, as of and for the year ended December 31, 2002, and have issued our report thereon dated June 13, 2003 in which the City adopted Governmental Accounting Standards Board Statements 34, 37, 38 and Interpretation 6. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**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 other matters involving the internal control over financial reporting, which we have reported to management of the City of Twinsburg in a separate letter dated June 13, 2003.



Members of the City Council  
City of Twinsburg, Ohio

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

*Cini & Parichi, Inc.*

Cleveland, Ohio  
June 13, 2003

**CITY OF TWINSBURG, OHIO**

SCHEDULE OF FINDINGS

**DECEMBER 31, 2002**

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

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

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

None.

**3. OTHER FINDINGS**

None.

**CITY OF TWINSBURG, OHIO**

SCHEDULE OF PRIOR AUDIT FINDINGS

**DECEMBER 31, 2002**

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	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Explanation</b>
2001-01	Purchase orders dated after invoice	Yes	



**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, 2002**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
Not Applicable.			





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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 24, 2003**