

City of Twinsburg, Ohio

Basic Financial Statements

December 31, 2003



**Auditor of State
Betty Montgomery**

Members of the Finance Committee
City of Twinsburg
10075 Ravenna Road
Twinsburg, Ohio 44087

We have reviewed the Independent Auditor's Report of the City of Twinsburg, Summit County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2003 through December 31, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 3, 2004

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City of Twinsburg, Ohio

For The Year Ended December 31, 2003

Table of Contents	Page
Independent Auditor's Report.....	1
Management Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	18
Reconciliation of total Governmental Fund Balances to Net Assets of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
Reconciliation of The Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund	25
Statement of Fund Net Assets – Proprietary Funds.....	26
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28
Notes to Basic Financial Statements.....	30
Report On Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	53
Schedule of Findings.....	55
Schedule of Prior Audit Findings.....	56
Response to Findings Associated With Audit Conducted in Accordance With <i>Government Auditing Standards</i>	57

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Independent Auditor's Report

Members of the Finance Committee
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, 2003, 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2003, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated, June 18, 2004 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 Finance Committee
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 18, 2004

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

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, 2003. 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 2003 are as follows:

- ◆ The assets of the City of Twinsburg exceeded its liabilities at the close of the most recent fiscal year by \$143,690,114. Of this amount, \$9 million may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets increased by \$274,254 which represents a decrease of approximately .16 percent over 2002. The biggest changes were a decrease in Cash of \$3,569,315 and an increase in capital assets of \$4,657,546.
- ◆ Total liabilities decreased by \$723,249, which represents a decrease of 3.18 percent over 2002. The main factor contributing to this decrease was a decrease of \$915,550 in accounts payable due to the City's conservative spending plan.
- ◆ In total, net assets in governmental activities increased by \$997,503 during 2003. This represents a .70 percent increase from 2002.

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, nonfinancial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

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 31 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
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

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
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

Table 1 provides a summary of the City's net assets for 2003 as compared to 2002.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$ 19,720,709	\$ 24,081,564	\$ 2,513,723	\$ 2,536,160	\$ 22,234,432	\$ 26,617,724
Capital Assets, Net	101,165,753	96,181,737	42,284,877	42,611,347	143,450,630	138,793,084
<i>Total Assets</i>	120,886,462	120,263,301	44,798,600	45,147,507	165,685,062	165,410,808
Liabilities						
Current Liabilities	2,885,862	3,413,876	556,761	568,815	3,442,623	3,982,691
Long-term Liabilities						
Due Within One Year	718,370	683,226	135,751	105,000	854,121	788,226
Due In More Than One Year	15,459,404	15,607,280	2,238,800	2,340,000	17,698,204	17,947,280
<i>Total Liabilities</i>	19,063,636	19,704,382	2,931,312	3,013,815	21,994,948	22,718,197
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	85,763,553	80,492,737	39,948,877	40,166,347	125,712,430	120,659,084
Restricted for:						
Capital Projects	7,883,885	14,550,181	-	-	7,883,885	14,550,181
Debt Service	145,260	338,395	-	-	145,260	338,395
Other Purposes	798,663	-	-	-	798,663	-
Unrestricted	7,231,465	5,177,606	1,918,411	1,967,345	9,149,876	7,144,951
<i>Total Net Assets</i>	\$ 101,822,826	\$ 100,558,919	\$ 41,867,288	\$ 42,133,692	\$ 143,690,114	\$ 142,692,611

Total assets increased slightly to about \$165.7 million. Even though the cash and cash equivalents decreased by \$3,569,315, an increase in capital assets of \$4,657,546 offset this decrease primarily due to the addition of City wide improvements and new developments.

Total net assets of the City increased by \$997,503. The following factors were responsible for this decrease:

- During 2003, the City's operating grants and contributions decreased by \$1,317,001 from 2002.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

- Cash and cash equivalents showed a decrease of \$3,569,315 over 2002.
- A reduction in long-term liabilities of \$593,000.
- An increase in debt proceeds of \$306,200.
- An increase of \$4,657,546 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 \$79,653 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 .63 percent in 2003. The City generally can only use these net assets to finance the continuing operations of the sewer system, golf course, and fitness center operations.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year in comparison to 2002.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Program Revenues						
Charges for Services	\$ 2,476,071	\$ 2,329,405	\$ 4,432,594	\$ 4,191,586	\$ 6,908,665	\$ 6,520,991
Operating Grants and Contributions	205,929	1,522,930	-	-	205,929	1,522,930
<i>Total Program Revenues</i>	<u>2,682,000</u>	<u>3,852,335</u>	<u>4,432,594</u>	<u>4,191,586</u>	<u>7,114,594</u>	<u>8,043,921</u>
General Revenues						
Property Taxes	1,446,769	991,318	5,567	199,080	1,452,336	1,190,398
Income Taxes	16,865,018	17,786,417	-	-	16,865,018	17,786,417
Grants and Entitlements	1,468,350	2,468,101	-	-	1,468,350	2,468,101
Investment Earnings	318,562	380,991	3,495	6,745	322,057	387,736
Miscellaneous	95,829	-	-	-	95,829	-
<i>Total Revenues</i>	<u>22,876,528</u>	<u>25,479,162</u>	<u>4,441,656</u>	<u>4,397,411</u>	<u>27,318,184</u>	<u>29,876,573</u>
Program Expenses						
General Government	7,751,987	5,913,506	-	-	7,751,987	5,913,506
Security of Persons and Property	7,325,492	6,833,178	-	-	7,325,492	6,833,178
Public Health Services	222,238	209,155	-	-	222,238	209,155
Transportation	3,560,170	3,027,931	-	-	3,560,170	3,027,931
Leisure Time Activities	1,742,083	1,700,747	-	-	1,742,083	1,700,747
Community Environment	2,842,415	2,677,694	-	-	2,842,415	2,677,694
Basic Utility Services	46,496	329,369	-	-	46,496	329,369
Interest and Fiscal Charges	722,754	808,741	-	-	722,754	808,741
Sewer	-	-	2,663,948	3,688,226	2,663,948	3,688,226
Golf Course	-	-	1,174,992	1,195,848	1,174,992	1,195,848
Fitness Center	-	-	1,419,120	1,272,678	1,419,120	1,272,678
Transfers	550,000	325,000	(550,000)	(325,000)	-	-
<i>Total Program Expenses</i>	<u>24,763,635</u>	<u>21,825,321</u>	<u>4,708,060</u>	<u>5,831,752</u>	<u>29,471,695</u>	<u>27,657,073</u>
<i>Change in Net Assets</i>	<u>\$ (1,887,107)</u>	<u>\$ 3,653,841</u>	<u>\$ (266,404)</u>	<u>\$ (1,434,341)</u>	<u>\$ (2,153,511)</u>	<u>\$ 2,219,500</u>

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

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 2003, the revenues generated from this tax amounted to \$16,865,018. The decrease in income tax revenue from 2002 was 5.18 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 General Government are the major activities of the City generating 65 percent of the governmental expenses. Currently, there are 34 full-time sworn officers in the police department. During 2003, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology. The court-sanctioned self-supporting juvenile diversion program which was put in effect in 1998 proved to be a success. The City also received \$14,095 for the Dare Grant and \$136,685.24 for the Cops Fast 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 2,174 calls for assistance of which approximately 1,634 were for EMS and the rest for fire and fire related incidents. This constituted a decrease of 4.42 percent over 2002. The total amount spent on overtime expenses during 2003 was \$64,229 as compared to \$115,439 during 2002. The total cost of operating the Fire and EMS department during 2003 was \$3,454,512 within the General Fund. As a result of entering into a contract with Life Force Management, Inc, for the EMS billing services the City received \$357,639.00 in revenue. The Fire Department received a grant in the amount of \$10,000.00 for the implementation of fire and fall prevention techniques.

The City's annual road program entailing major and minor resurfacing of the various streets in Twinsburg totaled \$1,339,439.00. The construction of an interconnect road between Ravenna Road and Darrow Road-Rt.91 is scheduled for completion late in 2004 or early 2005. The estimated cost of this project is \$5,000,000.00. In addition, the City has applied for a Federal House Bill earmarked project in the amount of \$1,900,000.00 from the office of Congressman Steven C. LaTourette.

In 2001, the City acquired 900 acres of parkland know as the Twinsburg Park and Nature Preserve. GPD Associates designed to improve the park. In 2003, Cavanaugh Building Corp. was awarded the construction contract for Phase 1 in the amount of \$1,174,003.50. The park improvements in this phase include baseball, soccer and multi-purpose fields. Grand opening of the park is July 24, 2004.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

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 \$266,404.

Net expense exceeded revenue in the amount of \$275,466 for the sewer operations for 2003. This is due to decreased contributions required to cover the City's share of operating expenses of the Sewer Fund. Net program expense exceeded program revenue in the amount of \$764,388 for the fitness center operations for 2003. This is due to decreased membership with increasing expenses. The City is planning on analyzing the operations of the fitness center to determine where it can be more efficient.

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 3. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$24,241,360 and expenditures and other financing uses of \$27,898,842. The net change in fund balance for the year was most significant in the Capital Improvement Capital Projects Fund showing a decrease in fund balance of \$1,718,842 due to the fact the fund receives income tax money to be used to improve the City. The General Fund reflected an increase of \$877,427, which increases the restated beginning fund balance of \$4,904,624. Overall the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

General Fund Budgeting Highlights

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

For the General Fund, final budget basis revenue was \$837,803 over the original budget estimates of \$16,404,230. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenue areas. The original appropriations of \$29,297,342 was sufficient to meet the expenditures for the year, which ended up at \$15,847,657.

The City's ending unobligated budgetary fund balance was \$3,196,864 higher than the final budgeted amount.

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

Business-Type Funds

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

Proprietary Funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Fitness Center, and Golf Course Funds. The basic proprietary fund financial statements can be found on pages 26 through 29 of this report.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the City of Twinsburg had \$143,450,629 invested in land, buildings, equipment and infrastructure.

Table 3 shows fiscal 2003 balances of Capital Assets as compared to 2002:

Table 3
 Capital Assets at December 31

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2003	2002	2003	2002	2003	2002
Land and Land Improvements	\$20,677,805	\$20,567,805	\$2,771,569	\$2,733,767	\$23,449,374	\$23,301,572
Buildings and Improvements	7,772,213	7,755,112	23,946,044	23,938,779	31,718,257	31,693,891
Machinery and Equipment	4,853,155	4,643,595	1,840,195	1,678,662	6,693,350	6,322,257
Vehicles	5,094,176	4,853,403	134,299	134,299	5,228,475	4,987,702
Infrastructure						
Roads	38,221,236	34,175,036	-	-	38,221,236	34,175,036
Water Mains	27,268,005	26,921,406	-	-	27,268,005	26,921,406
Storm Sewers and Culverts	27,157,718	26,888,817			27,157,718	26,888,817
Traffic Lights and Signs	599,116	599,116			599,116	599,116
Street Lights	1,314,212	1,314,212			1,314,212	1,314,212
Sanitary Sewer Lines			23,437,735	23,039,360	23,437,735	23,039,360
Less: Accumulated Depreciation	(31,791,884)	(28,385,751)	(9,844,965)	(8,913,480)	(41,636,849)	(37,299,231)
Total Capital Assets	\$101,165,752	\$99,332,751	\$42,284,877	\$42,611,387	\$143,450,629	\$141,944,138

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

City of Twinsburg
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

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 cracksealed and in the case of concrete roads, either replaced or repaired. After approval from council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the Capital Improvement Fund of the City. Capital assets for business-type activities decreased by \$326,510 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, 2003, the City of Twinsburg had \$18,521,574 in outstanding debt and compensated absences, of which \$17,190,000 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			
	2003	2002	2003	2002	2003	2002
General Obligation Bonds	\$ 14,930,000	\$ 15,495,000	\$ 2,260,000	\$ 2,355,000	\$ 17,190,000	\$ 17,850,000
Special Assessment Bonds	472,200	194,000	83,800	90,000	556,000	284,000
Compensated Absences	775,574	601,506	-	-	775,574	601,506
Total	\$ 16,177,774	\$ 16,290,506	\$ 2,343,800	\$ 2,445,000	\$ 18,521,574	\$ 18,735,506

At December 31, 2003, the City's overall legal debt margin was \$56,706,709. At year-end, the outstanding general obligation debt was \$17,190,000 and the outstanding Special Assessment bonds were \$556,000. 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
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

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 basic financial 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.

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City of Twinsburg, Ohio

Statement of Net Assets

December 31, 2003

	Governmental Activities	Business - Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 13,972,653	\$ 2,037,639	\$ 16,010,292
Accounts receivable	78,014	367,672	445,686
Accrued interest receivable	69,175	345	69,520
Income taxes receivable	4,784,679	-	4,784,679
Intergovernmental receivable	700,086	-	700,086
Special assessments receivable	-	72,419	72,419
Materials and supplies inventory	116,102	35,648	151,750
Nondepreciable capital assets	17,309,346	2,681,150	19,990,496
Depreciable capital assets, net	<u>83,856,407</u>	<u>39,603,727</u>	<u>123,460,134</u>
Total Assets	<u>120,886,462</u>	<u>44,798,600</u>	<u>165,685,062</u>
Liabilities:			
Accounts payable	611,370	79,178	690,548
Accrued Wages and Benefits	379,581	249,949	629,530
Intergovernmental payable	478,265	23,712	501,977
Accrued interest payable	53,410	8,521	61,931
Deferred revenue	1,363,236	226,152	1,589,388
Long-term liabilities:			
Due within one year	718,370	105,000	823,370
Accrued compensated absences	<u>15,459,404</u>	<u>2,238,800</u>	<u>17,698,204</u>
Total Liabilities	<u>19,063,636</u>	<u>2,931,312</u>	<u>21,994,948</u>
Net Assets:			
Investment in capital assets, net of related debt	85,763,553	39,948,877	125,712,430
Restricted for:			
Capital projects	7,883,885	-	7,883,885
Debt service	145,260	-	145,260
Other purposes	798,663	-	798,663
Unrestricted	<u>7,231,465</u>	<u>1,918,411</u>	<u>9,149,876</u>
Total Net assets	<u>\$ 101,822,826</u>	<u>\$ 41,867,288</u>	<u>\$ 143,690,114</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, 2003

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Government activities:			
General government	\$ 7,751,987	\$ 492,080	\$ -
Security of persons and property	7,325,492	877,724	150,780
Public health and welfare	222,238	-	-
Transportation	3,560,170	116,033	-
Leisure time activities	1,742,083	321,446	-
Community development	2,842,415	668,788	55,149
Basic utility service	46,496	-	-
Interest and fiscal charges	722,754	-	-
Total governmental activities	<u>24,213,635</u>	<u>2,476,071</u>	<u>205,929</u>
Business-type activities:			
Fitness center	1,419,120	654,732	-
Golf	1,174,992	1,073,744	-
Sewer	<u>2,663,948</u>	<u>2,704,118</u>	<u>-</u>
Total business-type activities	<u>5,258,060</u>	<u>4,432,594</u>	<u>-</u>
Totals	\$ <u>29,471,695</u>	\$ <u>6,908,665</u>	\$ <u>205,929</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
 Miscellaneous
 Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

The accompanying notes are an integral part of these financial statements

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business</u>	
<u>Activities</u>	<u>Type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
\$ (7,259,907)	\$ -	\$ (7,259,907)
(6,296,988)	-	(6,296,988)
(222,238)	-	(222,238)
(3,444,137)	-	(3,444,137)
(1,420,637)	-	(1,420,637)
(2,118,478)	-	(2,118,478)
(46,496)	-	(46,496)
<u>(722,754)</u>	<u>-</u>	<u>(722,754)</u>
<u>(21,531,635)</u>	<u>-</u>	<u>(21,531,635)</u>
-	(764,388)	(764,388)
-	(101,248)	(101,248)
<u>-</u>	<u>40,170</u>	<u>40,170</u>
<u>-</u>	<u>(825,466)</u>	<u>(825,466)</u>
<u>(21,531,635)</u>	<u>(825,466)</u>	<u>(22,357,101)</u>
709,082	-	709,082
737,687	5,567	743,254
13,476,742	-	13,476,742
3,388,276	-	3,388,276
1,468,350	-	1,468,350
318,562	3,495	322,057
95,829	-	95,829
<u>(550,000)</u>	<u>550,000</u>	<u>-</u>
<u>19,644,528</u>	<u>559,062</u>	<u>20,203,590</u>
(1,887,107)	(266,404)	(2,153,511)
<u>103,709,933</u>	<u>42,133,692</u>	<u>145,843,625</u>
\$ <u>101,822,826</u>	\$ <u>41,867,288</u>	\$ <u>143,690,114</u>

City of Twinsburg, Ohio

Balance Sheet Governmental Funds

December 31, 2003

	<u>General</u>	<u>Park Debt</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 4,515,368	\$ 18,979
Income taxes receivable	2,495,542	1,063,428
Accounts receivable	78,014	-
Accrued interest receivable	69,175	-
Intergovernmental receivable	449,729	-
Materials and supplies inventory	<u>116,102</u>	<u>-</u>
 Total assets	 \$ <u>7,723,930</u>	 \$ <u>1,082,407</u>
 Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 227,603	\$ -
Accrued wages	379,581	-
Intergovernmental payable	258,572	-
Deferred revenue	<u>1,076,123</u>	<u>1,063,428</u>
 Total liabilities	 <u>1,941,879</u>	 <u>1,063,428</u>
 Fund balances:		
Reserve for encumbrances	59,807	-
Reserve for inventory	116,102	-
Unreserved; undesignated for:		
General fund	5,606,142	-
Special revenue funds	-	-
Debt service funds	-	18,979
Capital project funds	<u>-</u>	<u>-</u>
 Total fund balances	 <u>5,782,051</u>	 <u>18,979</u>
 Total liabilities and fund balances	 \$ <u>7,723,930</u>	 \$ <u>1,082,407</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Improvement</u>	<u>Senior Center</u>	<u>Other Governmental</u>	<u>Total</u>
\$ 7,199,159	\$ 239,081	\$ 2,000,066	\$ 13,972,653
831,847	-	393,862	4,784,679
-	-	-	78,014
-	-	-	69,175
-	-	250,357	700,086
<u>-</u>	<u>-</u>	<u>-</u>	<u>116,102</u>
\$ <u>8,031,006</u>	\$ <u>239,081</u>	\$ <u>2,644,285</u>	\$ <u>19,720,709</u>
\$ 299,778	\$ 14,500	\$ 69,489	\$ 611,370
-	-	-	379,581
-	-	219,693	478,265
<u>271,308</u>	<u>-</u>	<u>567,254</u>	<u>2,978,113</u>
<u>571,086</u>	<u>14,500</u>	<u>856,436</u>	<u>4,447,329</u>
1,003,059	97,512	58,401	1,218,779
-	-	-	116,102
-	-	-	5,606,142
-	-	1,097,583	1,097,583
-	-	126,281	145,260
<u>6,456,861</u>	<u>127,069</u>	<u>505,584</u>	<u>7,089,514</u>
<u>7,459,920</u>	<u>224,581</u>	<u>1,787,849</u>	<u>15,273,380</u>
\$ <u>8,031,006</u>	\$ <u>239,081</u>	\$ <u>2,644,285</u>	\$ <u>19,720,709</u>

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City of Twinsburg, Ohio

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

December 31, 2003

Total Governmental Funds Balances \$ 15,273,380

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. 101,165,753

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

Property and other taxes	\$ 94,054
Municipal income taxes	1,085,232
Intergovernmental	<u>435,591</u>

Total 1,614,877

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due. (53,410)

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

General obligation bonds	(14,930,000)
Special assessment bonds	(472,200)
Compensated absences	<u>(775,574)</u>

Total (16,177,774)

Net Assets of Governmental Activities \$ 101,822,826

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

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

For The Year Ended December 31, 2003

	<u>General</u>	<u>Park Debt</u>
Revenues:		
Property taxes	\$ -	\$ 776,544
Municipal income tax	13,671,976	-
Other local taxes	284,651	-
Intergovernmental	704,048	-
Charges for services	883,822	-
License and Permits	698,545	-
Fines and Forfeitures	87,607	-
Special assessments	-	-
Investment income	318,562	-
Reimbursements received	274,914	-
Miscellaneous income	<u>218,249</u>	<u>-</u>
Total revenues	<u>17,142,374</u>	<u>776,544</u>
Expenditures:		
Current:		
Security of persons and property	6,329,463	-
Public health	222,238	-
Leisure time activities	1,551,543	-
Community development	1,581,708	-
Basic utility service	-	-
Transportation	3,016,994	-
General government	2,579,860	-
Capital outlay	826	-
Debt service:		
Principal retirement	-	395,000
Interest and fiscal charges	<u>-</u>	<u>455,019</u>
Total expenditures	<u>15,282,632</u>	<u>850,019</u>
Excess of revenues over (under) expenditures	<u>1,859,742</u>	<u>(73,475)</u>
Other financing sources (uses):		
Proceeds from sale of debt	-	-
Proceeds from sale of equipment	12,801	-
Transfers – in	-	-
Transfers – out	<u>(995,116)</u>	<u>-</u>
Total other financing sources (uses)	<u>(982,315)</u>	<u>-</u>
Net change in fund balances	877,427	(73,475)
Fund balance at beginning of year, restated	<u>4,904,624</u>	<u>92,454</u>
Fund balance at end of year	\$ <u><u>5,782,051</u></u>	\$ <u><u>18,979</u></u>

The accompanying notes are an integral part of these financial statements

<u>Capital Improvement</u>	<u>Senior Center</u>	<u>Other Governmental</u>	<u>Total</u>
\$ -	\$ -	\$ 387,983	\$ 1,164,527
3,388,276	-	-	17,060,252
-	-	-	284,651
218,853	-	696,075	1,618,976
50,545	40,000	90,042	1,064,409
-	-	115,583	814,128
-	-	1,623	89,230
-	-	41,368	41,368
-	-	-	318,562
-	-	14,341	289,255
<u>76,448</u>	<u>-</u>	<u>7,380</u>	<u>302,077</u>
<u>3,734,122</u>	<u>40,000</u>	<u>1,354,395</u>	<u>23,047,435</u>
-	-	948,194	7,277,657
-	-	-	222,238
-	1,101,731	68,991	2,722,265
-	-	54,289	1,635,997
274,617	-	-	274,617
-	-	2,350,122	5,367,116
126,747	-	-	2,706,607
4,927,992	14,500	-	4,943,318
-	-	198,000	593,000
<u>-</u>	<u>-</u>	<u>276,084</u>	<u>731,103</u>
<u>5,329,356</u>	<u>1,116,231</u>	<u>3,895,680</u>	<u>26,473,918</u>
<u>(1,595,234)</u>	<u>(1,076,231)</u>	<u>(2,541,285)</u>	<u>(3,426,483)</u>
306,200	-	-	306,200
-	-	-	12,801
-	-	874,924	874,924
<u>(429,808)</u>	<u>-</u>	<u>-</u>	<u>(1,424,924)</u>
<u>(123,608)</u>	<u>-</u>	<u>874,924</u>	<u>(230,999)</u>
(1,718,842)	(1,076,231)	(1,666,361)	(3,657,482)
<u>9,178,762</u>	<u>1,300,812</u>	<u>3,454,210</u>	<u>18,930,862</u>
\$ <u>7,459,920</u>	\$ <u>224,581</u>	\$ <u>1,787,849</u>	\$ <u>15,273,380</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, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (3,657,482)

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	\$ 5,397,740	
Depreciation	<u>(3,494,952)</u>	
Total		1,902,788

In the Statement of Activities, only the loss on the disposal of vehicles is reported, whereas, in the Governmental Funds, the proceeds from the disposal increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the vehicles. (69,786)

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	36,448	
Municipal income taxes	(195,234)	
Special assessments	(80,225)	
Intergovernmental	<u>55,303</u>	
Total		(183,708)

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. (306,200)

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 593,000

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	(174,068)	
Accrued interest on bonds	<u>8,349</u>	
Total		<u>(165,719)</u>

Change in Net Assets of Governmental Activities \$ (1,887,107)

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement Of Revenues, Expenditures and Changes In Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual - General Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 12,800,000	\$ 13,600,000	\$ 14,028,590	\$ 428,590
Other local taxes	310,690	307,778	284,865	(22,913)
Intergovernmental	813,777	806,152	746,136	(60,016)
Charges for services	911,047	902,512	835,322	(67,190)
License and permits	651,716	716,809	698,545	(18,264)
Fines and forfeitures	90,033	89,189	82,549	(6,640)
Investment income	287,025	284,335	263,167	(21,168)
Reimbursement received	301,907	299,453	272,267	(27,186)
Other	<u>238,035</u>	<u>235,805</u>	<u>218,249</u>	<u>(17,556)</u>
Total revenue	<u>16,404,230</u>	<u>17,242,033</u>	<u>17,429,690</u>	<u>187,657</u>
Expenditures:				
Current:				
Security of property and persons	7,080,761	7,713,854	6,367,876	1,345,978
Public health	247,116	269,212	222,238	46,974
Leisure time activities	1,731,304	1,886,101	1,556,998	329,103
Community development	1,906,172	2,076,603	1,714,260	362,343
Transportation	3,464,936	3,774,736	3,116,089	658,647
General government	<u>2,814,405</u>	<u>3,101,180</u>	<u>2,586,480</u>	<u>514,700</u>
Total expenditures	<u>17,244,694</u>	<u>18,821,686</u>	<u>15,563,941</u>	<u>3,257,745</u>
Excess of revenues over (under) Expenditures	(840,464)	(1,579,653)	1,865,749	3,445,402
Other financing sources (uses):				
Transfers – out	<u>(641,829)</u>	<u>(746,578)</u>	<u>(995,116)</u>	<u>(248,538)</u>
Net change in fund balance	(1,482,293)	(2,326,231)	870,633	3,196,864
Outstanding encumbrances at year end	70,470	70,470	70,470	-
Fund balance at the beginning of the year	<u>3,574,265</u>	<u>3,574,265</u>	<u>3,574,265</u>	<u>-</u>
Fund balance at the end of the year	\$ <u>2,162,442</u>	\$ <u>1,318,504</u>	\$ <u>4,515,368</u>	\$ <u>3,196,864</u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Fund Net Assets Proprietary Funds

December 31, 2003

	Business-Type Activities			Total
	Sewer Fund	Golf Course Fund	Fitness Center	
Current assets:				
Equity in pooled cash and cash equivalents	\$ 1,776,572	\$ 145,975	\$ 115,092	\$ 2,037,639
Accounts receivable	367,672	-	-	367,672
Accrued interest receivable	345	-	-	345
Special assessments receivable	72,419	-	-	72,419
Materials and supplies inventory	<u>31,748</u>	<u>-</u>	<u>3,900</u>	<u>35,648</u>
Total current assets	<u>2,248,756</u>	<u>145,975</u>	<u>118,992</u>	<u>2,513,723</u>
Noncurrent assets:				
Nondepreciable capital assets	31,150	2,650,000	-	2,681,150
Depreciable capital assets, net	<u>28,610,387</u>	<u>251,524</u>	<u>10,741,816</u>	<u>39,603,727</u>
Total noncurrent assets	<u>28,641,537</u>	<u>2,901,524</u>	<u>10,741,816</u>	<u>42,284,877</u>
Total assets	<u>30,890,293</u>	<u>3,047,499</u>	<u>10,860,808</u>	<u>44,798,600</u>
Current liabilities:				
Accounts payable	77,072	1,985	121	79,178
Accrued wages and benefits	245,913	-	4,036	249,949
Intergovernmental payable	23,712	-	-	23,712
Accrued interest payable	414	8,107	-	8,521
Deferred revenue	-	-	226,152	226,152
Due within one year	<u>10,000</u>	<u>95,000</u>	<u>-</u>	<u>135,751</u>
Total current liabilities	<u>357,111</u>	<u>105,092</u>	<u>230,309</u>	<u>692,512</u>
Noncurrent liabilities:				
General obligation bonds	-	2,165,000	-	2,165,000
Special assessment bonds	<u>73,800</u>	<u>-</u>	<u>-</u>	<u>73,800</u>
Total liabilities	<u>430,911</u>	<u>2,270,092</u>	<u>230,309</u>	<u>2,931,312</u>
Net assets:				
Investment in capital assets, net of related debt	28,571,537	641,524	10,735,816	39,948,877
Unreserved	<u>1,887,845</u>	<u>135,883</u>	<u>(105,317)</u>	<u>1,918,411</u>
Total net assets	\$ <u>30,459,382</u>	\$ <u>777,407</u>	\$ <u>10,630,499</u>	\$ <u>41,867,288</u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

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

For The Year Ended December 31, 2003

	Business-Type Activities			Total
	Sewer Fund	Golf Course Fund	Fitness Center	
Operating revenues:				
Charges for services	\$ 2,290,168	\$ 1,073,190	\$ 654,574	\$ 4,017,932
Other	<u>298,553</u>	<u>-</u>	<u>158</u>	<u>298,711</u>
Total operating revenues	<u>2,588,721</u>	<u>1,073,190</u>	<u>654,732</u>	<u>4,316,643</u>
Operating expenses:				
Personal services	1,401,267	596,908	775,249	2,773,424
Materials and supplies inventory	196,771	171,152	35,681	403,604
Capital outlay	439,310	273,524	329,821	1,042,655
Depreciation	<u>620,962</u>	<u>32,154</u>	<u>278,369</u>	<u>931,485</u>
Total operating expenses	<u>2,658,310</u>	<u>1,073,738</u>	<u>1,419,120</u>	<u>5,151,168</u>
Operating loss	<u>(69,589)</u>	<u>(548)</u>	<u>(764,388)</u>	<u>(834,525)</u>
Non-operating revenue (expenses):				
Investment income	3,495	-	-	3,495
Interest and fiscal charges	(5,638)	(101,254)	-	(106,892)
Special assessments	5,567	-	-	5,567
Reimbursements received	<u>115,397</u>	<u>554</u>	<u>-</u>	<u>115,951</u>
Total non-operating revenues (expenses)	<u>118,821</u>	<u>(100,700)</u>	<u>-</u>	<u>18,121</u>
Loss before transfers	(49,232)	(101,248)	(764,388)	(816,404)
Transfers - in	<u>-</u>	<u>300,000</u>	<u>250,000</u>	<u>550,000</u>
Change in net assets	49,232	198,752	(514,388)	(266,404)
Net assets beginning of year	<u>30,410,150</u>	<u>578,655</u>	<u>11,144,887</u>	<u>42,133,692</u>
Net assets end of year	\$ <u><u>30,459,382</u></u>	\$ <u><u>777,407</u></u>	\$ <u><u>10,630,499</u></u>	\$ <u><u>41,867,288</u></u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Statement of Cash Flows Proprietary Fund

For The Year Ended December 31, 2003

	Business-Type Activities			Total
	Sewer Fund	Golf Course Fund	Fitness Center	
Cash flows from operating activities:				
Cash received from customers	\$ 2,772,602	\$ 1,073,190	\$ 880,726	\$ 4,726,518
Cash payments for personal services	(1,428,196)	(596,616)	(772,436)	(2,797,248)
Cash payments for travel and education	-	-	-	-
Cash payments for contractual services	(615,545)	(273,959)	(329,834)	(1,219,338)
Cash payments for vendors for supplies and materials	(202,424)	(177,834)	(39,581)	(419,839)
Other operating receipts	<u>30</u>	<u>-</u>	<u>158</u>	<u>188</u>
Net cash provided by (used) by operating activities	<u>526,467</u>	<u>24,781</u>	<u>(260,967)</u>	<u>290,281</u>
Cash flows from capital and related financing activities:				
Principal paid on debt maturities	(10,000)	(95,000)	-	(105,000)
Proceeds from sale of debt	3,800	-	-	3,800
Interest paid on debt	(5,670)	(101,488)	-	(107,158)
Acquisition of capital assets	<u>(482,798)</u>	<u>(122,217)</u>	<u>-</u>	<u>(605,015)</u>
Net cash used in capital and related financing activities	<u>(494,668)</u>	<u>(318,705)</u>	<u>-</u>	<u>(813,373)</u>
Cash flows from investing activities:				
Interest received	<u>3,545</u>	<u>-</u>	<u>-</u>	<u>3,545</u>
Cash flows from non-capital financing activities:				
Transfers – in	-	300,000	250,000	550,000
Special assessments	12,132	-	-	12,132
Reimbursements received	<u>115,397</u>	<u>554</u>	<u>-</u>	<u>115,951</u>
Net cash provided by non-capital financing activities	<u>127,529</u>	<u>300,554</u>	<u>250,000</u>	<u>678,083</u>
Net increase (decrease) in cash and cash equivalents	162,873	6,630	(10,967)	158,536
Cash and cash equivalents at beginning of year	<u>1,613,699</u>	<u>139,345</u>	<u>126,059</u>	<u>1,879,103</u>
Cash and cash equivalents at end of year	<u>\$ 1,776,572</u>	<u>\$ 145,975</u>	<u>\$ 115,092</u>	<u>\$ 2,037,639</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, 2003

	<u>Business-Type Activities</u>			
	<u>Sewer Fund</u>	<u>Golf Course Fund</u>	<u>Fitness Center</u>	<u>Total</u>
Reconciliation of operating loss to net cash from operating activities:				
Operating loss	\$ (69,589)	\$ (548)	\$ (764,388)	\$ (834,525)
Adjustment to reconcile operating loss to net cash from operating activities:				
Depreciation	620,962	32,154	278,369	931,485
Changes in assets and liabilities:				
Decrease in accounts receivable	183,911	-	-	183,911
Decrease in material and supplies inventory	(5,653)	-	(3,900)	(9,553)
Decrease in accounts payable	(176,235)	(6,463)	(13)	(182,711)
Decrease in due to other governments	(50,096)	-	-	(50,096)
Increase in accrued wages and benefits	40,504	-	-	40,504
Increase in deferred revenue	-	-	226,152	226,152
Increase (decrease) in compensated absences	(17,337)	(362)	2,813	(14,886)
Net cash provided by (used in) operating activities	\$ <u>526,467</u>	\$ <u>24,781</u>	\$ <u>(260,967)</u>	\$ <u>290,281</u>

The accompanying notes are an integral part of these financial statements

City of Twinsburg, Ohio

Notes to the Basic Financial Statements

For The Year Ended December 31, 2003

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, 2003

Note 1: The Reporting Entity (continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Twinsburg did not contribute to NOPEC during 2003. 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 after 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.

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Fund Financial Statements

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

B. Fund Accounting

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

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

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

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

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

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

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.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

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

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

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

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

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, 2003

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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, 2003, 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, 2003

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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 2003. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2003.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

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, 2003

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, 2003.

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, 2003

Note 2: Summary of Significant Accounting Policies (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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 to 100 years

J. Interfund Balances

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, 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.

M. Fund Balance Reserves

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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 2003.

R. Estimates

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

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>Net Change in Fund Balance</u>	<u>General</u>
GAAP basis	\$ 877,427
Increase (decrease) due to:	
Revenue accruals	274,515
Expenditure accruals	(351,779)
Outstanding encumbrances	<u>70,470</u>
Budget basis	\$ <u>870,633</u>

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.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 4: Deposits and Investments (continued)

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 \$12,063,076 and the bank balance was \$12,061,665. Of the bank balance:

1. \$200,000 was covered by the federal depository insurance, by collateral held by the City or by collateral held by a qualified third party trustee in the name of the City.
2. \$11,861,665 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	\$ 3,039,427	\$ 3,039,427
State treasurer's investment Pool (STAROhio) *	<u> -</u>	<u> 907,789</u>
	\$ <u>3,039,427</u>	\$ <u>3,947,216</u>

* Noncategorized

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, 2003.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 4: Deposits and Investments (continued)

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 16,010,292	\$ -
Investments:		
Repurchase agreements	(3,039,427)	3,039,427
STAROhio	<u>(907,789)</u>	<u>907,789</u>
GASB Statement No. 3	\$ <u>12,063,076</u>	\$ <u>3,947,216</u>

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, 2003

Note 5: Receivables (continued)

A. Property Taxes (continued)

The full tax rate for all City operations for the year ended December 31, 2003, was \$6.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Category	<u>Assessed Value</u>
Real estate	\$ 518,282,050
Public utility	9,592,170
Tangible personal	<u>154,380,151</u>
	\$ <u>682,254,371</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 2003 was \$17,535,738.

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Governmental activities:

Local government and local government Revenue assistance	\$ 420,993
Estate tax	28,736
Gasoline and excise tax	228,829
Motor vehicle license fees	18,554
Permissive motor vehicle license tax	<u>2,974</u>
	\$ <u>700,086</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 6: Capital Assets

Capital asset activity for government the year ended December 31, 2003, was as follows:

	Balances 12/31/2002	Adjustments	Restated 12/31/2002 Balance	Additions	Deletions	Balances 12/31/2003
Governmental activities:						
Capital assets not being depreciated						
Land	\$ 17,180,256	\$ 19,090	\$ 17,199,346	\$ 110,000	\$ -	\$ 17,309,346
Capital assets being depreciated						
Land improvements	1,160,122	2,208,337	3,368,459	-	-	3,368,459
Buildings	7,770,117	(15,005)	7,755,112	17,101	-	7,772,213
Machinery and equipment	7,006,207	(2,362,612)	4,643,595	209,560	-	4,853,155
Vehicles	4,703,213	150,190	4,853,403	399,379	(158,606)	5,094,176
Infrastructure:						
Roads	31,795,638	2,379,398	34,175,036	4,046,200	-	38,221,236
Water mains	26,898,321	23,085	26,921,406	346,599	-	27,268,005
Storm sewers and culverts	26,719,485	169,332	26,888,817	268,901	-	27,157,718
Traffic signs and signals	584,473	14,643	599,116	-	-	599,116
Street lights	1,294,402	19,810	1,314,212	-	-	1,314,212
Total capital assets being depreciated	107,931,978	2,587,178	110,519,156	5,287,740	(158,606)	115,648,290
Less accumulated depreciation						
Land improvements	(612,146)	-	(612,146)	(81,315)	-	(693,461)
Buildings	(1,800,109)	39,661	(1,760,448)	(154,970)	-	(1,915,418)
Machinery and equipment	(1,782,299)	7,620	(1,774,679)	(257,527)	-	(2,032,206)
Vehicles	(1,459,257)	14,636	(1,444,621)	(296,185)	88,819	(1,651,987)
Infrastructure:						
Roads	(15,074,354)	(131,477)	(15,205,831)	(1,911,062)	-	(17,116,893)
Water mains	(2,716,758)	(823)	(2,717,581)	(272,680)	-	(2,990,261)
Storm sewers and culverts	(4,189,876)	88,152	(4,101,724)	(452,473)	-	(4,554,197)
Traffic signs and signals	(395,382)	129,743	(265,639)	(16,171)	-	(281,810)
Street lights	(900,316)	397,235	(503,081)	(52,569)	-	(555,650)
Total accumulated depreciation	(28,930,497)	544,747	(28,385,750)	(3,494,952)	88,819	(31,791,883)
Net capital assets being depreciated	79,001,481	3,131,925	82,133,406	1,792,788	(69,787)	83,856,407
Governmental activities						
Capital assets, net	\$ 96,181,737	\$ 3,151,015	\$ 99,332,752	\$ 1,902,788	\$ (69,787)	\$ 101,165,753

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 6: Capital Assets (continued)

	Balances <u>12/31/2002</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>2003</u>
Business-Type Activities				
Capital assets not being depreciated:	\$ 2,681,150	\$ -	\$ -	\$ 2,681,150
Land				
Capital assets being depreciated:				
Land improvements	52,617	37,802	-	90,419
Buildings and Improvements	23,938,779	7,265	-	23,946,044
Machinery and equipment	1,678,622	161,573	-	1,840,195
Vehicles	134,299	-	-	134,299
Infrastructure:				
Sewer lines	<u>23,039,360</u>	<u>398,375</u>	-	<u>23,437,735</u>
Total capital assets being depreciated	<u>48,843,677</u>	<u>605,015</u>	-	<u>49,448,692</u>
Less: accumulated depreciation	<u>(8,913,480)</u>	<u>(931,485)</u>	-	<u>(9,844,965)</u>
Net capital assets being depreciated	<u>39,930,197</u>	<u>(326,470)</u>	-	<u>39,603,727</u>
Total business-type activities capital assets, net	\$ <u>42,611,347</u>	\$ <u>(326,470)</u>	\$ -	\$ <u>42,284,877</u>

Depreciation expense was charged to governmental activities as follows:

Community development	\$ 50,429
General government	126,993
Leisure time activities	141,600
Security of persons and property	314,991
Transportation	<u>2,861,119</u>
	\$ <u>3,494,952</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>Original Interest Rate</u>	<u>Issue Amount</u>
General obligation bonds:			
Park land and conservation	2002	3.30% - 7.04%	\$ 10,500,000
Senior citizens center	2002	2.85% - 16.21%	2,399,997
Darrow road improvement	2003	2.00% - 4.80%	3,065,000
Special Assessment Bonds:			
Case Parkway South	1992	4.75%	715,000
Creekside/Glenwood Improvement	1993	5.00%	462,000
Darrow/Chamberlain	1995	6.00%	191,875
Liberty/Cannon/Chamberlain/Ravenna	2003	2.75 - 5.10%	310,000
<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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 7: Long-Term Obligations (continued)

B. Bonded Debt and Other Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2003 was as follows:

	<u>Balance</u> <u>12/31/02</u>	<u>Issued</u> <u>(Retired)</u>	<u>Balance</u> <u>12/31/03</u>	<u>Due in</u> <u>One</u> <u>Year</u>
<i>Governmental activities:</i>				
General obligation bonds:				
Park land and conservation, due through 2021	\$ 10,120,000	\$ (395,000)	\$ 9,725,000	\$ 410,000
Senior citizens center, due through 2021	2,310,000	(95,000)	2,215,000	95,000
Darrow Road improvement, due through 2022	<u>3,065,000</u>	<u>(75,000)</u>	<u>2,990,000</u>	<u>115,000</u>
Total general obligation bonds	<u>15,495,000</u>	<u>(565,000)</u>	<u>14,930,000</u>	<u>620,000</u>
Special assessment bonds:				
Liberty/Cannon/Case/Darrow due through 2023	-	306,200	306,200	20,000
Creekside/Glenwood improvement, due through 2013	110,000	(10,000)	100,000	10,000
Darrow/Chamberlin, due through 2015	<u>84,000</u>	<u>(18,000)</u>	<u>66,000</u>	<u>18,000</u>
Total special assessment bonds	<u>194,000</u>	<u>278,200</u>	<u>472,200</u>	<u>48,000</u>
Accrued compensated absences, restituted	<u>601,506</u>	<u>174,068</u>	<u>775,574</u>	<u>50,370</u>
Total governmental long-term liabilities	<u>\$ 16,290,506</u>	<u>\$ (112,732)</u>	<u>\$ 16,177,774</u>	<u>\$ 718,370</u>
	<u>Balance</u> <u>12/31/02</u>	<u>Issued</u> <u>(Retired)</u>	<u>Balance</u> <u>12/31/03</u>	<u>Due in</u> <u>One</u> <u>Year</u>
<i>Business-Type Activities</i>				
General obligation bonds:				
Golf course refunding bonds	\$ <u>2,355,000</u>	\$ <u>(95,000)</u>	\$ <u>2,260,000</u>	\$ <u>95,000</u>
Special assessment bonds:				
Cannon/Case North/Darrow Water improvement, due through 2011	90,000	3,800	83,800	10,000
	<u>-</u>	<u>(10,000)</u>	<u>83,800</u>	<u>10,000</u>
Total business-type long-term obligations	<u>\$ 2,445,000</u>	<u>\$ (101,200)</u>	<u>\$ 2,343,800</u>	<u>\$ 105,000</u>
Total long-term obligations	<u>\$ 18,735,506</u>	<u>\$ (213,932)</u>	<u>\$ 18,521,574</u>	<u>\$ 823,370</u>

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 7: Long-Term Obligations (continued)

C. Other Long-Term Obligations (continued)

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2003 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>	
2004	\$ 715,000	\$ 739,518	\$ 58,000	\$ 29,633	\$ 1,542,151
2005	647,780	809,679	58,000	24,640	1,540,099
2006	652,220	808,620	38,000	21,880	1,520,720
2007	619,840	842,600	38,000	20,158	1,520,598
2008	610,160	851,052	38,000	18,435	1,517,647
2009-2013	4,340,000	2,954,118	170,000	63,594	7,527,712
2014-2018	5,430,000	1,882,620	81,000	31,130	7,424,750
2019-2023	<u>4,175,000</u>	<u>441,450</u>	<u>75,000</u>	<u>11,483</u>	<u>4,702,933</u>
	\$ <u>17,190,000</u>	\$ <u>9,329,657</u>	\$ <u>556,000</u>	\$ <u>220,953</u>	\$ <u>27,296,610</u>

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

Note 8: Compensated Absences

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

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 9: Pension Plans

A. Ohio Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, contribute to the Ohio Public Employees Retirement System (“OPERS”). OPERS administers three separate pension plans as described below:

- The traditional pension plan (TP) – a cost sharing multiple-employer defined benefit pension plan.
- The member-directed plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
- The combined plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the combined plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the traditional plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the traditional plan. City employees are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer contribution rate for the City was 13.55 percent of covered payroll. The City’s contributions to the OPERS for the years ended December 31, 2003, 2002 and 2001 were \$560,557, \$547,165, and \$572,190, respectively. The full amount has been contributed for 2002 and 2001. 92.0 percent has been contributed for in 2003, with the remainder being presented as “intergovernmental payable” in the governmental activities column of the statement of net assets.

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.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 9: Pension Plans (continued)

B. Ohio Police and Fire Pension Fund (continued)

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent and 24.0 percent respectively for police and firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police for the years ended December 31, 2003, 2002, and 2001 were \$784,824, \$756,275, and \$708,594, respectively. The full amount has been contributed for 2002 and 2001.73 percent, has been contributed for 2003 with the remainder being presented as "intergovernmental payable" in the governmental activities column of the statement of net assets.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System or the Police and Fire Pension Fund are covered by Social Security. The City's liability is 6.2 percent of wages paid.

Note 10: Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System of Ohio (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 as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 employer contribution rate was 13.55 percent of covered payroll, of which 5.0 percent was used to fund health care for 2003.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003 include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.0 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 364,881. City's actual contributions for 2003 which were used to fund postemployment benefits were \$329,736. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 11: Risk Management

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

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

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

Note 12: Interfund Transfers

Interfund transfers for the year ended December 31, 2003, 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	\$ 445,116	\$ 429,808	\$ 874,924
Golf course fund	300,000	-	300,000
Fitness center fund	<u>250,000</u>	<u>-</u>	<u>250,000</u>
	<u>\$ 995,116</u>	<u>\$ 429,808</u>	<u>\$ 1,424,924</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 13: Contingencies/Pending Litigation

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

City of Twinsburg, Ohio

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2003

Note 14: Restatement of Prior Year Fund Balances

A. *Restatement of Fund Balance*

	<u>General Fund</u>	<u>Capital Improvement</u>
Fund balance, December 31, 2002	\$ 1,883,918	\$ 10,219,034
Income tax revenue	<u>1,690,347</u>	<u>(1,690,347)</u>
Fund balance, December 31, 2002, restated	\$ <u><u>3,574,265</u></u>	\$ <u><u>8,528,687</u></u>

The December 31, 2002 governmental activities net assets have been restated from \$100,558,919 to \$103,709,933 due to adjustments made to capital assets. See Note 6 for more information.



CPAs and Business Advisors

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
Twinsburg, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twinsburg (the "City"), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 18, 2004. 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'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 instance 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'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 over financial reporting that 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 a material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated June 18, 2004.

 **C&P Advisors, LLC**
Ciuni & Panichi, Inc.
Joel Strom Associates LLC
National Investor Services, Ltd.

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
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Members of the City Council
Twinsburg, Ohio

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

Cini & Parichi, Inc.

Cleveland, Ohio
June 18, 2004

City of Twinsburg, Ohio

Schedule of Findings

December 31, 2003

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, 2003

There was no prior year audit.

City of Twinsburg, Ohio

**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, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
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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
AUGUST 17, 2004**