

CITY OF UNIVERSITY HEIGHTS, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Honorable Mayor and Members of Council
City of University Heights

We have reviewed the Independent Auditor's Report of the City of University Heights, Cuyahoga County, prepared by James G. Zupka, CPA, Inc. for the audit period January 1, 2000 through December 31, 2000. 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 University Heights is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

May 30, 2001

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CITY OF UNIVERSITY HEIGHTS, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2000

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CITY OF UNIVERSITY HEIGHTS, OHIO

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor Beryl E. Rothschild
and Members of City Council
City of University Heights, Ohio

We have audited the accompanying general purpose financial statements of the City of University Heights, Ohio, as of and for the year ended December 31, 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of University Heights, Ohio as of December 31, 2000 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated March 16, 2001 on our consideration of the City of University Heights, Ohio'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.

March 16, 2001

James G. Zupka
Certified Public Accountant

CITY OF UNIVERSITY HEIGHTS, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (GAAP)
 DECEMBER 31, 2000

	GOVERNMENTAL FUND TYPES				FIDUCIARY	ACCOUNT GROUPS		Totals
	General	Special Revenue	Capital Projects	Debt Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
ASSETS AND OTHER DEBITS								
Equity in Pool Cash and								
Cash Equivalents	\$ 204,500	\$ 403,547	\$ 31,077	\$ 260,004	\$ 123,444	\$ 0	\$ 0	\$ 1,022,572
Receivables:								
Taxes	3,005,982	124,779	0	436,726	0	0	0	3,567,487
Accounts	105,334	0	0	0	627	0	0	105,961
Special Assessments	0	686,812	0	487	0	0	0	687,299
Intergovernmental	178,082	21,171	197,650	0	0	0	0	396,903
Due from Other Funds	0	0	0	14,791	0	0	0	14,791
Prepaid Expenses	40,233	0	0	0	0	0	0	40,233
Inventory of Supplies	53,328	12,281	0	0	0	0	0	65,609
Fixed Assets (Net of								
Accumulated Depreciation	0	0	0	0	0	4,806,581	0	4,806,581
Other Debits:								
Amount Available in								
Debt Service Funds	0	0	0	0	0	0	274,795	274,795
Amount to be Provided for								
Retirement of General								
Long-Term Obligations	0	0	0	0	0		2,848,751	2,848,751
Total Assets and								
 Other Debits	\$ 3,587,459	\$1,248,590	\$ 228,727	\$ 712,008	\$ 124,071	\$ 4,806,581	\$ 3,123,546	\$13,830,982

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF UNIVERSITY HEIGHTS, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (GAAP)
 DECEMBER 31, 2000

	GOVERNMENTAL FUND TYPES				FIDUCIARY	ACCOUNT GROUPS		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	Trust and Agency	General Fixed Assets	General Long- Term Debt	
LIABILITIES, FUND EQUITY, AND OTHER CREDITS								
Liabilities								
Accounts Payable	\$ 118,173	\$ 98,259	\$ 0	\$ 0	\$ 7,800	\$ 0	\$ 0	\$ 224,232
Accrued Wages and Benefits	268,844	230,201	0	0	0	0	0	499,045
Due to Other Funds	0	0	14,791	0	0	0	0	14,791
Deferred Revenues	2,184,625	811,591	0	437,213	0	0	0	3,433,429
Contracts Payable	0	0	197,650	0	0	0	0	197,650
Claims Payable	0	0	0	0	0	0	0	0
Funds Held on Deposit	0	0	0	0	89,155	0	0	89,155
Due to Governments	0	0	0	0	27,116	0	253,170	280,286
General Obligation Notes Payable	0	250,000	200,000	0	0	0	0	450,000
General Obligation Bonds Payable	0	0	0	0	0	0	1,895,000	1,895,000
Capital Lease Commitment Payable	0	0	0	0	0	0	7,358	7,358
Compensated Absences Payable	68,530	4,472	0	0	0	0	412,743	485,745
Ohio Police and Firemen's Pension Accrued Liability	0	0	0	0	0	0	555,275	555,275
Total Liabilities	2,640,172	1,394,523	412,441	437,213	124,071	0	3,123,546	8,131,966
FUND EQUITY AND OTHER CREDITS								
Investment in General Fixed Assets	0	0	0	0	0	4,806,581	0	4,806,581
Fund Balance:								
Reserved for								
Encumbrances	83,777	64,254	0	0	0	0	0	148,031
Reserved for Inventory	53,328	12,281	0	0	0	0	0	65,609
Reserved for Prepaid Items	40,233	0	0	0	0	0	0	40,233
Reserved for Debt Service	0	0	0	274,795	0	0	0	274,795
Unreserved								
Designated for Sick Leave Benefits	0	0	0	0	0	0	0	0
Undesignated	769,949	(222,468)	(183,714)	0	0	0	0	363,767
Total Fund Equity and Other Credits	947,287	(145,933)	(183,714)	274,795	0	4,806,581	0	5,699,016
Total Liabilities, Fund Equity, and Other Credits	\$ 3,587,459	\$ 1,248,590	\$ 228,727	\$ 712,008	\$ 124,071	\$ 4,806,581	\$ 3,123,546	\$ 13,830,982

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF UNIVERSITY HEIGHTS, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN RETAINED EARNINGS - ALL GOVERNMENTAL FUND TYPES
 DECEMBER 31, 2000

	GOVERNMENTAL FUND TYPES				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	
REVENUES					
Local Income Taxes	\$ 4,540,243	\$ 0	\$ 0	\$ 0	\$ 4,540,243
Property Taxes	1,823,811	182,490	7,458	324,030	2,337,789
Intergovernmental Revenue	1,719,119	362,232	197,650	50,206	2,329,207
Special Assessments	1,698	549,305	0	91,513	642,516
Charges for Services	90,004	15,454	0	0	105,458
Fines, Licenses, and Permits	518,865	2,495	0	0	521,360
Interest Income	80,902	203	0	0	81,105
Miscellaneous	219,079	25,929	0	0	245,008
Total Revenues	8,993,721	1,138,108	205,108	465,749	10,802,686
EXPENDITURES					
Current Operations and Maintenance:					
Security of Persons and Property	4,919,267	825,275	0	0	5,744,542
Public Health Services	40,673	0	0	0	40,673
Leisure Time Activities	252,003	0	0	0	252,003
Community Environment	558,395	168,902	0	0	727,297
Basic Utility Services	774,782	590,942	197,650	0	1,563,374
Transportation	438,118	417,965	0	0	856,083
General Government	1,199,725	0	0	897	1,200,622
Capital Outlay	0	198,669	451,312	0	649,981
Debt Service:					
Principal	0	0	0	175,000	175,000
Interest and Fiscal Charges	0	8,391	7,458	126,561	142,410
Total Expenditures	8,182,963	2,210,144	656,420	302,458	11,351,985
Excess of Revenue Over (Under) Expenditures	810,758	(1,072,036)	(451,312)	163,291	(549,299)
OTHER FINANCING SOURCES (USES)					
Sale of Fixed Assets	10,347	0	0	0	10,347
Transfers In	2,330	747,618	101,761	0	851,709
Transfers Out	(781,709)	0	0	(70,000)	(851,709)
Total Other Financing Sources (Uses)	(769,032)	747,618	101,761	(70,000)	10,347
Deficiency (Excess) of Revenues and Other Financing Sources Over (Under)					
Expenditures and Other Uses	41,726	(324,418)	(349,551)	93,291	(538,952)
Fund Balance - Beginning of Year	896,803	188,271	165,837	181,504	1,432,415
Increase (Decrease) in:					
Reserved for Inventory	8,758	(9,786)	0	0	(1,028)
Fund Balance - End of Year	\$ 947,287	\$ (145,933)	\$ (183,714)	\$ 274,795	\$ 892,435

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF UNIVERSITY HEIGHTS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL COMPARISON
 ALL GOVERNMENTAL FUND TYPES - (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED DECEMBER 31, 2000

	GENERAL FUND			SPECIAL REVENUE FUND		
	Revised Budget	Actual	Variance- Favorable (Unfavorable)	Revised Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES						
Taxes - Income Taxes	\$ 4,507,515	\$ 4,360,048	\$ (147,467)	\$ 0	\$ 0	\$ 0
Taxes - Property Taxes	1,875,000	1,823,811	(51,189)	110,034	149,099	39,065
Intergovernmental	1,790,712	1,810,946	20,234	483,111	423,432	(59,679)
Special Assessments	1,105	1,698	593	548,000	549,305	1,305
Charges for Services	99,400	90,131	(9,269)	25,000	16,487	(8,513)
Fines, Licenses, and Permits	468,970	544,060	75,090	7,600	2,495	(5,105)
Interest Earnings	77,598	80,902	3,304	200	203	3
Other	138,483	138,319	(164)	25,100	25,929	829
Total Revenues	8,958,783	8,849,915	(108,868)	1,199,045	1,166,950	(32,095)
EXPENDITURES						
Current Operations and Maintenance						
Security of Persons and Property	5,039,254	4,982,679	56,575	761,829	621,577	140,252
Public Health Services	40,673	40,673	0	0	0	0
Leisure Time Activities	247,317	255,238	(7,921)	0	0	0
Community Environment	553,504	535,373	18,131	226,265	181,447	44,818
Basic Utility Services	821,086	806,679	14,407	660,536	637,361	23,175
Transportation	545,202	471,346	73,856	422,010	451,421	(29,411)
General Government	1,372,102	1,298,276	73,826	0	0	0
Capital Outlay	0	0	0	219,601	198,669	20,932
Debt Service						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	8,619,138	8,390,264	228,874	2,290,241	2,090,475	199,766
Excess of Revenues Over (Under) Expenditures	339,645	459,651	120,006	(1,091,196)	(923,525)	167,671
OTHER FINANCING SOURCES (Uses)						
Proceeds of Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	250,000	250,000	0
Proceeds from OWDA Loans	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	10,347	10,347	0	0	0	0
Advances In	0	61,752	61,752	25,185	25,185	0
Advances Out	(25,185)	(25,185)	0	(60,000)	(60,000)	0
Operating Transfers In	0	2,330	2,330	820,000	747,618	(72,382)
Operating Transfers Out	(820,104)	(781,709)	38,395	(200,000)	(200,000)	0
Total Other Financing Sources (Uses)	(834,942)	(732,465)	102,477	835,185	762,803	(72,382)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(495,297)	(272,814)	222,483	(256,011)	(160,722)	95,289
Cash Fund Balance at Beginning of Year	107,476	107,476	0	243,474	243,474	0
Prior Year Encumbrances Appropriated	224,342	224,342	0	148,934	148,934	0
Fund Balance at End of Year	\$ (163,479)	\$ 59,004	\$ 222,483	\$ 136,397	\$ 231,686	\$ 95,289

The notes to the general purpose financial statements are an integral part of this statement.

CITY OF UNIVERSITY HEIGHTS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 ALL GOVERNMENTAL FUND TYPES - (BUDGET BASIS) -
 FOR THE YEAR ENDED DECEMBER 31, 2000
 (CONTINUED)

	DEBT SERVICE			CAPITAL PROJECTS		
	Revised Budget	Actual	Variance- Favorable (Unfavorable)	Revised Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES						
Taxes - Income Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Taxes - Property Taxes	374,300	364,879	(9,421)	0	0	0
Intergovernmental	51,300	50,207	(1,093)	1,279,405	0	(1,279,405)
Special Assessments	88,000	91,513	3,513	0	0	0
Charges for Services	0	0	0	0	0	0
Fines, Licenses, and Permits	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total Revenues	<u>513,600</u>	<u>506,599</u>	<u>(7,001)</u>	<u>1,279,405</u>	<u>0</u>	<u>(1,279,405)</u>
EXPENDITURES						
Current Operations and Maintenance						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Basic Utility Service	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	10,000	8,639	1,361	0	0	0
Capital Outlay	0	0	0	1,807,006	452,375	1,354,631
Debt Service						
Principal Retirement	694,000	600,000	94,000	0	0	0
Interest and Fiscal Charges	133,395	134,669	(1,274)	0	0	0
Total Expenditures	<u>837,395</u>	<u>743,308</u>	<u>94,087</u>	<u>1,807,006</u>	<u>452,375</u>	<u>1,354,631</u>
Excess of Revenues Over (Under) Expenditures	(323,795)	(236,709)	87,086	(527,601)	(452,375)	75,226
OTHER FINANCING SOURCES (Uses)						
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds of Sale of Notes	0	0	0	200,000	200,000	0
Proceeds from OWDA Loans	0	0	0	249,727	249,727	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Advances In	0	0	0	88,199	88,199	0
Advances Out	(88,199)	(88,199)	0	0	0	0
Operating Transfers In	400,000	400,000	0	101,801	101,761	(40)
Operating Transfers Out	(70,801)	(70,000)	801	(200,000)	(200,000)	0
Total Other Financing Sources (Uses)	<u>241,000</u>	<u>241,801</u>	<u>801</u>	<u>439,727</u>	<u>439,687</u>	<u>(40)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(82,795)	5,092	87,887	(87,874)	(12,688)	75,186
Cash Fund Balance at Beginning of Year	229,121	229,121	0	3,370	3,370	0
Prior Year Encumbrances Appropriated	0	0	0	84,619	84,619	0
Fund Balance at End of Year	<u>\$ 146,326</u>	<u>\$ 234,213</u>	<u>\$ 87,887</u>	<u>\$ 115</u>	<u>\$ 75,301</u>	<u>\$ 75,186</u>

The notes to the general purpose financial statements are an integral part of this statement.

CITY OF UNIVERSITY HEIGHTS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 ALL GOVERNMENTAL FUND TYPES - (BUDGET BASIS) -
 FOR THE YEAR ENDED DECEMBER 31, 2000
 (CONTINUED)

	<u>TOTAL (MEMORANDUM ONLY)</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Taxes - Income Taxes	\$ 4,507,515	\$ 4,360,048	\$ (147,467)
Taxes - Property Taxes	2,359,334	2,337,789	(21,545)
Intergovernmental	3,604,528	2,284,585	(1,319,943)
Special Assessments	637,105	642,516	5,411
Charges for Services	124,400	106,618	(17,782)
Fines, Licenses, and Permits	476,570	546,555	69,985
Interest Earnings	77,798	81,105	3,307
Other	163,583	164,248	665
Total Revenues	<u>11,950,833</u>	<u>10,523,464</u>	<u>(1,427,369)</u>
<u>EXPENDITURES</u>			
Current Operations and Maintenance			
Security of Persons and Property	5,801,083	5,604,256	196,827
Public Health Services	40,673	40,673	0
Leisure Time Activities	247,317	255,238	(7,921)
Community Environment	779,769	716,820	62,949
Basic Utility Services	1,481,622	1,444,040	37,582
Transportation	967,212	922,767	44,445
General Government	1,382,102	1,306,915	75,187
Capital Outlay	2,026,607	651,044	1,375,563
Debt Service			
Principal Retirement	694,000	600,000	94,000
Interest and Fiscal Charges	133,395	134,669	(1,274)
Total Expenditures	<u>13,553,780</u>	<u>11,676,422</u>	<u>1,877,358</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,602,947)</u>	<u>(1,152,958)</u>	<u>449,989</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Bonds	0	0	0
Proceeds of Sale of Notes	450,000	450,000	0
Proceeds from OWDA Loans	249,727	249,727	0
Proceeds from Sale of Fixed Assets	10,347	10,347	0
Advances In	113,384	175,136	61,752
Advances Out	(173,384)	(173,384)	0
Operating Transfers In	1,321,801	1,251,709	(70,092)
Operating Transfers Out	(1,290,905)	(1,251,709)	39,196
Total Other Financing Sources (Uses)	<u>680,970</u>	<u>711,826</u>	<u>30,856</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(921,977)</u>	<u>(441,132)</u>	<u>480,845</u>
Cash Fund Balance at Beginning of Year	583,441	583,441	0
Prior Year Encumbrances Appropriated	457,895	457,895	0
Fund Balance at End of Year	<u>\$ 119,359</u>	<u>\$ 600,204</u>	<u>\$ 480,845</u>

The notes to the general purpose financial statements are an integral part of this statement.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(As Required by Various Statutes)

A. **Description of the Entity**

The City of University Heights, Ohio is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City operates under a council-mayor form of government and provides the following services: public safety, public services, health, recreation and community development.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB Statement No. 14), the financial reporting entity consists of the City (the primary government), as well as its component units. Component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either **a)** the ability to impose will by the primary government, or **b)** the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the foregoing criteria, these financial statements do not include any component units.

B. **Basis of Presentation**

The financial reporting of the City conforms to generally accepted accounting principles as applicable to local governments.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Individual funds and account groups which are used by the City and are summarized in the accompanying combined general purpose financial statements are classified as follows:

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
(As Required by Various Statutes)

B. Basis of Presentation (Continued)

Governmental Funds

Governmental funds are accounted for on a spending measurement focus. Only current assets and current liabilities are generally included on their balance sheet. Their operating statements presents sources (revenues and other financing sources) and uses (expenditures and other financing uses) of “available spendable resources” during a period.

General Fund - To account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose, provided it is expended or transferred in accordance with the Charter and legislation of the City of University Heights and or the general laws of the State of Ohio.

Special Revenue Funds - To account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - To account for the accumulation of resources for, and the payment of, general and special assessment long-term debt principal and interest.

Capital Projects Funds - To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

Fiduciary Funds

Agency Funds - To account for assets held by the City as an agency for others and including the deferred compensation and payroll deductions withheld and awaiting payment. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
(As Required by Various Statutes)

B. **Basis of Presentation** (Continued)

Account Groups

General Fixed Assets Account Group - To account for all fixed assets of the City.

General Long-Term Obligations Account Group - To account for all unmatured long-term obligations of the City.

C. **Basis of Accounting**

All governmental fund types are accounted for on the modified accrual basis of accounting and the flow of financial resources measurement focus. Governmental revenues are recognized when they become measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred, if measurable, with the exception of accumulated unpaid employee compensation which is not payable from expendable financial resources. Agency funds are purely custodial (assets equals liabilities), do not involve measurement of results of operations, and are accounted for on the modified accrual basis of accounting.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available, as they are collectible within the current period or soon enough thereafter to be used to pay obligations of the current period: investment earnings, special assessments due in the current year, income taxes paid by employees, and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditure is made.

Property taxes and special assessments (in the debt service funds), though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax and special assessment receivables are recorded and deferred until they become available.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
(As Required by Various Statutes)

C. **Basis of Accounting** (Continued)

Other revenues, including licenses and permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related liability is incurred except for unmatured principal and interest on general long-term debt which are recognized when paid. Allocations of cost, such as depreciation are not recognized in the governmental funds.

D. **Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents withing an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year.

All funds other than the agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

1. **Budget**

The Mayor submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
(As Required by Various Statutes)

D. **Budgetary Process** (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official estimated resources stating that projected receipts by 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 do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amount reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year to the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for expenditures are encumbered and recorded as reserve for encumbrances (budgetary basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
(As Required by Various Statutes)

D. **Budgetary Process** (Continued)

5. **Lapsing of Appropriations**

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

6. **Budgetary Basis of Accounting**

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized as on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded when paid in cash for budgetary basis as opposed to reservation of fund balances for GAAP purposes. Activities relating to the street construction, maintenance and repair fund, and the State highway fund is accounted for as special revenue fund activity for budgetary basis as opposed to activity in the capital projects fund for GAAP purposes. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet (GAAP basis). The City repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
(As Required by Various Statutes)

D. **Budgetary Process** (Continued)

6. **Budgetary Basis of Accounting** (Continued)

Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund
GAAP Basis	\$ 41,726	\$(324,418)	\$(349,551)	\$ 93,291
Increase/(Decrease):				
Revenue Accruals	(82,633)	54,027	132,818	440,849
Note Proceeds	0	250,000	200,000	0
Expenditure Accruals	(86,847)	12,707	4,045	(529,048)
Principal Retirements	0	0	0	0
Encumbrances	(145,060)	(153,038)	0	0
Budgetary Basis	\$(272,814)	\$(160,722)	\$ (12,688)	\$ 5,092

E. **Cash and Investments**

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

During 2000, the portfolio was limited non-participating interest earnings investment contracts and to the State Treasury Asset Reserve of Ohio (STAROhio). Non-participating investment contracts such as repurchase agreements are reported at cost.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
(As Required by Various Statutes)

E. **Cash and Investments** (Continued)

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2000.

Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation is recognized within the general fund to the extent its cash and investment balances exceeds the cumulative value of those investments.

The City's policy is to hold investments until maturity, or until market values equal or exceed cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$80,902, which includes \$25,888 from other City funds.

For purposes of the presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
(As Required by Various Statutes)

F. **Fixed Assets**

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental type funds and capitalized (recorded and accounted for) in the general fixed asset account group. Infrastructure fixed assets such as streets, storm sewers and drains, and traffic signals and signs are not capitalized and are not reported as part of the general fixed asset account group.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are recorded at fair market value at the date received.

G. **Interfund Transactions**

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

H. **Deferred Revenue**

Deferred revenue consists of property taxes, estate taxes, and special assessments. Although property taxes and special assessment receivables are measurable, they are recorded and deferred until they become available because the revenue is not available soon enough in the subsequent year to finance current period obligations.

I. **Inventory**

Inventory is stated at the lower of cost (first-in, first-out) or market. The costs of inventory items are recorded as expenditures in the governmental funds when purchased (purchase method). In the governmental funds, reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
(As Required by Various Statutes)

J. **Prepaid**

Payments made to vendors for services that will benefit periods beyond December 31, 2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed. A portion of the relevant funds balances equal to the prepaid items has been reserved in the governmental funds indicates that it does not constitute funds available spendable resources even though it is a component of net current assets.

K. **Compensated Absences**

In conformity with GASB Statement No. 16, the City accrues vacation and sick leave benefits as earned by its employees if the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. The City accrued these benefits who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These benefits are measured using the pay rates in effect at December 31, 2000. For governmental funds, the City provides a liability for unpaid accumulated benefits for eligible employees in the period the employee becomes eligible to receive payment. The current portion is the amount to be paid using expendable available compensated absences and is reported as an accrued liability in the fund from which the individuals are paid. The balance is reported in the general long-term debt account group.

L. **Long-Term Obligations**

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

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
(As Required by Various Statutes)

L. **Long-Term Obligations** (Continued)

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

M. **Reserves of Fund Equity**

Reserves of fund equity in governmental funds indicate that a portion of fund balance is not available for expenditures or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, and prepaids.

N. **Total Columns on Financial Statements**

Total columns on the combined general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2: **COMPLIANCE AND ACCOUNTABILITY**

Fund Deficits - the fund deficits at December 31, 2000 of \$145,933 in the Police and Fire Pension Fund of the Special Revenue Funds and \$183,714 in the capital improvement fund of the Capital Projects Funds arose from recording notes payable amounts in the individual fund balance sheets. Deficits do not exist under the cash basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 3: **PROPERTY TAXES**

Real property taxes were levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last appraisal was completed for tax year 2000, and the next update will be completed for tax year 2000.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended December 31, 2000 was \$13.2 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$13.2 per \$1000 of assessed valuation of real property classified as residential/agricultural and \$13.2 per \$1000 of assessed evaluation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2000 was \$13.2 per \$1000 of assessed valuation.

Real Estate - 2000 Valuation

Residential/Agricultural	\$ 168,706,900
Commercial/Industrial	24,022,140
Public Utilities	4,533,390
General Tangible Personal Property - 2000 Valuation	5,122,598
	<u>\$ 202,385,028</u>

The Cuyahoga County Treasurer collects property tax on behalf of all taxing districts within the County. The Cuyahoga County Auditor periodically remits to the taxing districts their portions of the taxes collected. Such collections are available only to pay current period liabilities.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 4: **INCOME TAXES**

The City levies a municipal income tax of 1.5 percent on all salaries, wages, commissions, and other compensation, and net profits earned within the City, as well as incomes of residents earned outside the City. In the later case, the City allows a credit of 50 percent of the tax paid to another municipality to a maximum of one-half of one percent of income earned outside the City.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly. The Regional Income Tax Agency collects municipal income taxes for the City of University Heights.

NOTE 5: **EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City maintains a separate cash and investment pool that is available for use by all funds and accounts. Each fund type's portion of this pool is displayed on the combined balance sheet as Cash and Cash Equivalents.

Legal Requirements - Statutes require the classifications of monies held by the City into three categories:

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or a "near-cash" status for immediate use by the City. Such monies must be maintained either as cash in the City's treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" monies, those monies which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 5: **EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS**
(Continued)

Legislation permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be directly issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds or other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 5: **EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS**
(Continued)

Deposits

The Governmental Accounting Standards Board has established risk categories for deposits as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralize with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in the City's name.

All deposits are carried at cost. At year end, the carrying amount of the City's cash and deposits was \$61,707 and the bank balance was \$222,490. Of the bank balance, \$159,804 was insured and \$62,686 was classified as Risk Category 3. A reconciliation to the GASB Statement No. 3 amount is as follows:

Investments

The Governmental Accounting Standards Board has established risk categories for investments as follows:

Category 1 - Investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

CITY OF UNIVERSITY HEIGHTS, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (CONTINUED)

NOTE 5: **EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS**
 (Continued)

Investments (Continued)

The City's investments (as defined by GASB 3) at December 31, 2000 were as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
STAROhio (Uncategorized)	\$ 864,876	\$ 864,876
Repurchase Agreement (Category 1)	95,989	95,989
Total Investments	<u>\$ 960,865</u>	<u>\$ 960,865</u>

The classification of cash and cash equivalents and investments on the combined general purpose financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined general purpose financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalent</u>	<u>Investment</u>
GASB Statement No. 9	\$1,022,572	\$ 0
STAROhio	(864,876)	864,876
Repurchase Agreement	(95,989)	95,989
GASB Statement No. 3	<u>\$ 61,707</u>	<u>\$ 960,865</u>

NOTE 6: **INTERFUND RECEIVABLES AND PAYABLES**

The interfund balances at December 31, 2000 consists of the following:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Debt Service	\$ 14,791	\$ 0
Capital Projects	0	14,791
Totals	<u>\$ 14,791</u>	<u>\$ 14,791</u>

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 7: **FIXED ASSETS**

Changes in General Fixed Assets

The changes in general fixed assets during 2000 were as follows:

<u>Description</u>	<u>January 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2000</u>
Land	\$ 219,639	\$ 0	\$ 30,000	\$ 189,639
Buildings	340,824	0	0	340,824
Improvements	1,223,540	0	0	1,223,540
Equipment	833,447	100,741	0	934,188
Vehicle	2,128,910	203,165	213,685	2,118,390
Totals	<u>\$ 4,746,360</u>	<u>\$ 303,906</u>	<u>\$ 243,685</u>	<u>\$ 4,806,581</u>

NOTE 8: **DEFINED BENEFIT PENSION PLANS**

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. **Public Employees Retirement System**

The following information was provided by PERS of Ohio to assist the City in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

The City of University Heights contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 8: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Public Employees Retirement System** (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84 percent of covered payroll, 6.54 percent to fund the pension and 4.3 percent to fund health care. The 1999 and 1998 employer contribution rates were 13.55 percent. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2000, 1999, and 1998 were \$293,501, \$279,026, and \$260,852, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 4.3 percent of covered payroll, which amounted to \$93,141.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 8: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Public Employees Retirement System** (Continued)

7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 1999 was \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

B. **Ohio Police and Fire Pension Fund (the "OP&F" Fund)**

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing, multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Contributions requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2000, 1999, and 1998 were \$343,755, \$306,627, and \$303,991 for police and \$394,010, \$349,192, and \$335,587 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 8: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. Ohio Police and Fire Pension Fund (the "OP&F" Fund) (Continued)

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2000 covered payroll that was used to fund postemployment health care benefits was \$61,575 representing 7.25 percent of covered payroll for police and \$3,371 representing 7.25 percent of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 1999, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,467 for police and 9,807 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1999 were \$95,004,633, which was net of member contributions of \$5,518,098.

NOTE 9: **COMPENSATED ABSENCES**

In accordance with Government Accounting Standards Board (GASB) Statement 16, the City of University Heights, Ohio has accrued a liability for vacation and sick leave at December 31, 2000.

Sick leave for City employees is accrued at rates of 4.6 for every 80 hours. Employees who retire or terminate service after 10 years may convert 25 percent of accumulated sick leave days into a lump-sum payment within certain limitations. For governmental funds, the City recognized the current portion of this liability at December 31, 2000 that is expected to be liquidated with expendable available financial resources.

CITY OF UNIVERSITY HEIGHTS, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (CONTINUED)

NOTE 9: **COMPENSATED ABSENCES** (Continued)

City employees generally earn vacation leave ranging from 5 to 25 days per year based on length of service. No more than the amount of vacation accrued in the previous twelve-month period can be carried forward into the next calendar year without written consent of the City Mayor. For governmental fund types, accumulated vacation leave is recorded as a liability within the respective fund types since it has to be used in the following year or be forfeited.

The following is a summary of compensated absences payable by funds and groups:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>General Long-Term Account Group</u>
Sick Leave	\$ 33,422	\$ 2,134	\$ 412,743
Vacation Leave	35,108	2,338	0
Totals	<u>\$ 68,530</u>	<u>\$ 4,472</u>	<u>\$ 412,743</u>

NOTE 10: **CONSTRUCTION COMMITMENT**

At December 31, 2000, the City of University Heights had no material contracts pending.

NOTE 11: **SHORT-TERM DEBT**

Short-term debt outstanding at December 31, 2000 consisted of the following:

<u>Description</u>	<u>January 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2000</u>
<u>Special Revenue Fund</u>				
Bond Anticipation Note -				
- Various Purpose				
General Obligations	\$ 225,000	\$ 250,000	\$ 225,000	\$ 250,000
<u>Capital Projects Fund</u>				
Bond Anticipation Note -				
- Various Purpose				
General Obligations	200,000	200,000	200,000	200,000
Total	<u>\$ 425,000</u>	<u>\$ 450,000</u>	<u>\$ 425,000</u>	<u>\$ 450,000</u>

CITY OF UNIVERSITY HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 12: **LONG-TERM DEBT**

Long-term obligations of the City at December 31, 2000 are as follows:

<u>Description</u>	<u>Balance at</u> <u>01/01/00</u>	<u>Additions/</u> <u>(Reductions)</u>	<u>Balance at</u> <u>12/31/00</u>
<u>General Obligation Bonds</u>			
1994 Fire Equipment	\$ 200,000	\$ (65,000)	\$ 135,000
1998 Street Resurfacing	420,000	(45,000)	375,000
1995 Purvis Park Improvement - Series A & B	1,450,000	(65,000)	1,385,000
Total Bond Indebtedness	<u>\$ 2,070,000</u>	<u>\$ (175,000)</u>	<u>\$ 1,895,000</u>
<u>Other Long-Term Obligations</u>			
OWDA Loan	\$ 249,727	\$ 3,443	\$ 253,170
Accrued Police and Fire Pension	601,716	(46,441)	555,275
Capital Lease - National Financial Corp.	4,301	(4,301)	0
Capital Lease - Toshiba	0	7,358	7,358
Accrued Sick Leave Benefit	416,606	(3,863)	412,743
Total Other Long-Term Obligations	<u>1,272,350</u>	<u>(43,804)</u>	<u>1,228,546</u>
Total Long-Term Debt	<u>\$ 3,342,350</u>	<u>\$ (218,804)</u>	<u>\$ 3,123,546</u>

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2000 are:

	<u>OWDA Loan</u>	<u>Capital Lease</u> <u>Obligation</u>	<u>General</u> <u>Obligation</u> <u>Bond</u>	<u>Accrual</u> <u>Police &</u> <u>Fire Pension</u>	<u>Total</u>
2001	\$ 33,673	\$ 2,597	\$ 284,420	\$ 19,257	\$ 339,947
2002	33,673	2,597	289,708	19,257	345,235
2003	33,673	2,164	216,133	19,257	271,227
2004	33,673	0	219,120	19,257	272,050
2005	33,673	0	211,508	19,257	264,438
2006-2035	168,366	0	1,483,950	582,778	2,235,094
Total	<u>\$ 336,731</u>	<u>\$ 7,358</u>	<u>\$2,704,839</u>	<u>\$ 679,063</u>	<u>\$ 3,727,991</u>

CITY OF UNIVERSITY HEIGHTS, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (CONTINUED)

NOTE 12: **LONG-TERM DEBT** (Continued)

Long-term obligations are repaid from the following funds:

TYPE	REPAID FROM
General Obligation Notes	General Obligation Bond Retirement Fund
Special Assessment Bonds	General Obligation Bond Retirement Fund
General Obligation Bonds	General Obligation Bond Retirement Fund
Police Pension Liability	Police Pension Fund
Fire Pension Liability	Fire Pension Fund
Accrued Sick Leave	Sick Leave Benefit Fund

NOTE 13: **CLAIMS AND JUDGMENTS**

The City is currently a defendant in lawsuits. It is the opinion of legal counsel that none of this litigation will have a material adverse effect on the financial condition of the City. In addition, there are a few unasserted claims, the results of which, if asserted, would not have a material effect on the financial statements at December 31, 2000.

The City has received federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon our experience, the City's management believes such disallowances, if any, will be immaterial.

NOTE 14: **LEASE COMMITMENT**

Capital Leases

The City is obligated under certain leases, of which one is accounted for as a capital lease. The leased asset and related obligation is accounted for in the general fixed assets account group and the general long-term debt account group, respectively. The asset acquired under capital lease totaled \$7,791. The following is a schedule by years of the future minimum lease payments for capital leases together with the present value of the net minimum lease payments as of December 31, 2000:

<u>Year Ending</u> <u>December 31</u>	
2001	\$ 2,597
2002	2,597
2003	2,164
Minimum Lease Payments for All Capital Leases	<u><u>\$ 7,358</u></u>

CITY OF UNIVERSITY HEIGHTS, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (CONTINUED)

NOTE 15: **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2000, the City contracted with several companies for various types of insurance as follows:

		<u>Deductible</u>
Ohio Casualty Ins. Co.	Bond-Public Employees	\$ 0
National Casualty Co.	Public Officials Liability	\$ 10,000
National Casualty Co.	Law Enforcement Liability	\$ 10,000
St. Paul Ins. Co.	Commercial Property	\$ 1,000
St. Paul Ins. Co.	Boiler & Machinery	\$ 1,000
St. Paul Ins. Co.	Inland Marine	\$ 1,000
St. Paul Ins. Co.	Automobile Liability	\$ 1,000
St. Paul Ins. Co.	Automobile Collision	\$ 1,000
Scottsdale Ins. Co.	General Liability	\$ 2,500
Coregis Group	Umbrella Liability	\$ 10,000
VFIS	Fire Department/Paramedic Liability	\$ 0
Ohio Casualty Ins. Co.	Bond-Finance Director	\$ 0

The contracts listed above reflect no significant reduction in insurance coverage as compared to prior year.

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.

The City also purchases insurance coverage to provide employee health benefits and pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. Settled claims, resulting from these risks, have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 16: **SUBSEQUENT EVENTS**

In March of 2001, the City issued building permits relating to the construction and renovation of the Kaufmann's Department store shopping center. This project will provide the City with an increase in city income tax revenue of approximately \$400,000 annually.

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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor Beryl E. Rothschild
and Members of City Council
City of University Heights, Ohio

We have audited the general purpose financial statements of the City of University Heights, Ohio as of and for the year ended December 31, 2000, and have issued our report thereon dated March 16, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of University Heights, Ohio's general purpose 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 general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards. We also noted immaterial instances of noncompliance which we have reported to the management of the City of University Heights, Ohio in a separate letter dated March 16, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of University Heights, Ohio's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the

normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the City of University Heights, Ohio in a separate letter dated March 16, 2001.

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

March 16, 2001

James G. Zupka
Certified Public Accountant



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF UNIVERSITY HEIGHTS

CUYAHOGA 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
JUNE 7, 2001**