

CITY OF BEREA, OHIO

GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

Prepared by the Department of Finance
Dana J. Kavander, CPA, CFE, CIA, Director of Finance
Andrea D. Morris, Assistant Director of Finance

Cover Story: The cover picture represents the Coe Lake Gazebo, Walkway, and Pier. The City received a \$300,000 grant from the Ohio Department of Transportation, and a \$300,000 grant from the Ohio Department of Natural Resources, "Natureworks" program, to erect the walkway and pier. This capital improvement helped to beautify and improve the use of this "greenspace".

CITY OF BEREA, OHIO
Mayor Joseph W. Biddlecombe



President of Council - Stanley F. Maxwell
Council Member-at-Large - Gregory H. Miller
Council Member-at-Large - Richard T. Malott
Council Member - Ward 1 - Markiel J. Perkins
Council Member - Ward 2 - James J. Brown
Council Member - Ward 3 - Hugh C. "Oz" Arey
Council Member - Ward 4 - George Capellas
Council Member - Ward 5 - James M. Baker

Director of Finance - Dana J. Kavander
Director of Law - Gregory M. Sponseller
Director of Public Safety and Service - John W. Jones
Director of Recreation and Human Resources - Linda S. Root
Director of Economic Development - Daniel B. Jarvis

CITY OF BEREA, OHIO

GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

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CITY OF BEREA, OHIO

GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43215

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Mayor and Members of Council
City of Berea

We have reviewed the Independent Auditor's Report of the City of Berea, Cuyahoga County, prepared by James G. Zupka, CPA, Inc. for the audit period January 1, 1999 through December 31, 1999. 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 Berea is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

July 5, 2000

JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
5240 East 98th Street
Garfield Heights, Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475-6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Joseph W. Biddlecombe, Mayor
and Members of City Council
City of Berea, Ohio

The Honorable Jim Petro
Auditor of State
State of Ohio

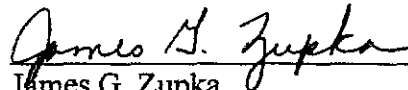
We have audited the accompanying general purpose financial statements of the City of Berea, Ohio, as of and for the year ended December 31, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City of Berea, Ohio's management. Our responsibility 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provide 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 Berea, Ohio, as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund types 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 May 16, 2000 on our consideration of the City of Berea, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

May 16, 2000


James G. Zupka
Certified Public Accountant

CITY OF BEREA, OHIO

Combined Balance Sheet - All Fund Types and Account Groups
As of December 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Project
Assets and other debits:				
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,268,270	\$ 778,934	\$ 216,705	\$ 662,323
Receivables:				
Taxes	1,990,579	840,730	1,887,168	0
Accounts	29,566	24,050	0	13,862
Accrued interest	14,508	31	0	0
Intergovernmental	114,203	36,914	0	0
Interfund	63,988	5,967	0	0
Special assessments	0	397,640	0	10,960
O.W.D.A. loans	0	0	0	0
Cleveland Browns	0	0	0	0
Prepaid items	9,807	2,942	0	0
Inventory of supplies	5,831	47,150	0	0
Fixed assets (net, where applicable, of accumulated depreciation)	0	0	0	0
Other debits:				
Amount available in debt service for retirement of general long-term obligations	0	0	0	0
Amount to be provided for retirement of general long-term obligations	0	0	0	0
Amount to be provided for retirement of taxable obligation bonds	0	0	0	0
Total assets and other debits	<u>\$ 3,496,752</u>	<u>\$ 2,134,358</u>	<u>\$ 2,103,873</u>	<u>\$ 687,145</u>

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$ 95,499	\$ 74,479	\$ 955,794	\$ 0	\$ 0	\$ 4,052,004
0	0	0	0	0	4,718,477
453,520	0	685,891	0	0	1,206,889
122,875	0	0	0	0	137,414
0	0	0	0	0	151,117
0	0	0	0	0	69,955
0	0	0	0	0	408,600
725,000	0	0	0	0	725,000
6,180,473	0	0	0	0	6,180,473
0	4,725	0	0	0	17,474
26,759	0	0	0	0	79,740
12,147,769	0	0	38,245,777	0	50,393,546
0	0	0	0	216,705	216,705
0	0	0	0	19,224,147	19,224,147
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>869,526</u>	<u>869,526</u>
<u>\$19,751,895</u>	<u>\$ 79,204</u>	<u>\$ 1,641,685</u>	<u>\$38,245,777</u>	<u>\$20,310,378</u>	<u>\$88,451,067</u>

(continued)

CITY OF BEREA, OHIO

Combined Balance Sheet - All Fund Types and Account Groups
As of December 31, 1999
(continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Project
Liabilities, fund equity and other credits:				
Liabilities:				
Accounts payable	\$ 65,302	\$ 67,222	\$ 0	\$ 280,209
Interfund payable	0	0	0	0
Accrued wages and benefits	115,599	16,903	0	0
Accrued compensated absences	24,456	7,027	0	0
Accrued worker's compensation	31,206	5,521	0	0
Accrued pension	0	0	0	0
Due to other governments	0	0	0	0
Due to others	13,897	4,632	0	0
Deposits held and due to others	0	0	0	0
Deferred revenue	1,541,921	1,089,874	1,887,168	10,960
Accrued interest payable	0	0	0	0
General obligation bonds payable	0	0	0	0
Taxable obligation bonds payable:				
City's portion	0	0	0	0
City's portion covered by Cleveland Browns receivable	0	0	0	0
Cleveland Browns bonds payable	0	0	0	0
Cleveland Browns interest payable	0	0	0	0
Notes payable	0	0	0	50,000
O.W.D.A. loans payable	0	0	0	0
Total liabilities	<u>1,792,381</u>	<u>1,191,179</u>	<u>1,887,168</u>	<u>341,169</u>
Fund equity and other credits:				
Investment in general fixed assets	0	0	0	0
Contributed capital	0	0	0	0
Retained earnings:				
Unreserved (deficit)	0	0	0	0
Fund balance:				
Reserved for encumbrances	9,051	50,631	0	129,508
Reserved for inventory	5,831	47,150	0	0
Reserved for prepaids	9,807	2,942	0	0
Reserved for debt service	0	0	216,705	0
Undesignated	1,679,682	842,456	0	216,468
Total fund equity (deficit), and other credits	<u>1,704,371</u>	<u>943,179</u>	<u>216,705</u>	<u>345,976</u>
Total liabilities, fund equity and other credits	<u>\$ 3,496,752</u>	<u>\$ 2,134,358</u>	<u>\$ 2,103,873</u>	<u>\$ 687,145</u>

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$ 26,581	\$ 116,025	\$ 1,167,801	\$ 0	\$ 0	\$ 1,723,140
0	0	69,955	0	0	69,955
15,009	0	0	0	0	147,511
51,158	0	0	0	555,214	637,855
4,565	0	0	0	0	41,292
35,313	0	0	0	633,614	668,927
0	0	46,832	0	0	46,832
0	0	0	0	0	18,529
0	0	357,097	0	0	357,097
0	0	0	0	0	4,529,923
119,403	0	0	0	0	119,403
0	0	0	0	18,152,024	18,152,024
0	0	0	0	869,526	869,526
624,558	0	0	0	0	624,558
5,555,915	0	0	0	0	5,555,915
122,875	0	0	0	0	122,875
0	0	0	0	100,000	150,000
<u>3,770,285</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,770,285</u>
<u>10,325,662</u>	<u>116,025</u>	<u>1,641,685</u>	<u>0</u>	<u>20,310,378</u>	<u>37,605,647</u>
0	0	0	38,245,777	0	38,245,777
10,237,340	0	0	0	0	10,237,340
(811,107)	(36,821)	0	0	0	(847,928)
0	0	0	0	0	189,190
0	0	0	0	0	52,981
0	0	0	0	0	12,749
0	0	0	0	0	216,705
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,738,606</u>
<u>9,426,233</u>	<u>(36,821)</u>	<u>0</u>	<u>38,245,777</u>	<u>0</u>	<u>50,845,420</u>
<u>\$19,751,895</u>	<u>\$ 79,204</u>	<u>\$ 1,641,685</u>	<u>\$38,245,777</u>	<u>\$20,310,378</u>	<u>\$88,451,067</u>

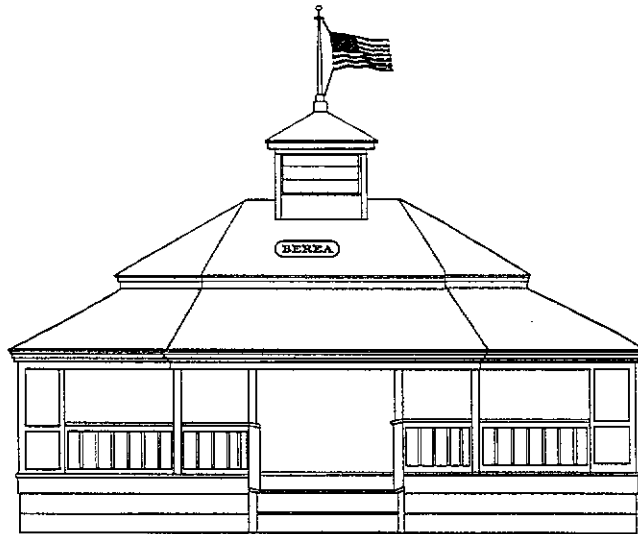
CITY OF BEREA, OHIO

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 1999

	General	Special Revenue	Debt Service
Revenues:			
Property taxes	\$ 1,359,736	\$ 562,880	\$ 1,485,522
Municipal income taxes	5,874,741	1,958,248	0
Other local taxes	184,570	0	0
Intergovernmental	1,618,302	811,918	382,723
Charges for services	6,273	225,517	0
Licenses and permits	228,029	0	0
Fines and forfeitures	723,687	100,204	0
Special assessments	0	460,604	11,475
Investment income	206,474	112	26,902
Miscellaneous income	63,341	45,925	0
Total revenues	10,265,153	4,165,408	1,906,622
Expenditures:			
Current operations and maintenance:			
Security of persons and property	3,690,700	1,179,217	0
Public health and welfare	0	115,000	0
Leisure time activities	146,931	1,050,998	0
Community development	282,028	12,926	0
Basic utility services	980,434	0	0
Transportation	0	969,176	0
General government	3,626,666	96,445	106
Capital outlay	0	0	0
Debt service:			
Principal retirement	0	0	8,580,000
Interest and fiscal charges	0	0	949,971
Total expenditures	8,726,759	3,423,762	9,530,077
Excess (deficiency) of revenues over expenditures	1,538,394	741,646	(7,623,455)
Other financing sources (uses):			
Operating transfers - in	0	1,367,086	375,000
Operating transfers - out	(1,145,000)	(1,968,580)	0
Proceeds from sale of bonds	0	0	7,185,000
Proceeds from OWDA loans	0	0	0
Sale of fixed assets	(250)	0	0
Total other financing sources (uses)	(1,145,250)	(601,494)	7,560,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	393,144	140,152	(63,455)
Fund balance, beginning of year	1,320,046	779,673	280,160
Increase (decrease) in reserve for Inventory	(8,819)	23,354	0
Fund balance, end of year	\$ 1,704,371	\$ 943,179	\$ 216,705

See accompanying notes to the general purpose financial statements

<u>Capital Project</u>	<u>Total (Memorandum Only)</u>
\$ 0	\$ 3,408,138
0	7,832,989
0	184,570
727,884	3,540,827
235,280	467,070
0	228,029
27,159	851,050
0	472,079
0	233,488
411,488	520,754
<u>1,401,811</u>	<u>17,738,994</u>
0	4,869,917
0	115,000
0	1,197,929
0	294,954
0	980,434
0	969,176
0	3,723,217
3,702,232	3,702,232
50,000	8,630,000
0	949,971
<u>3,752,232</u>	<u>25,432,830</u>
<u>(2,350,421)</u>	<u>(7,693,836)</u>
676,494	2,418,580
0	(3,113,580)
0	7,185,000
1,000,684	1,000,684
283,555	283,305
<u>1,960,733</u>	<u>7,773,989</u>
<u>(389,688)</u>	<u>80,153</u>
735,664	3,115,543
0	14,535
<u>\$ 345,976</u>	<u>\$ 3,210,231</u>



CITY OF BEREA, OHIO

Combined Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types
For the Year Ended December 31, 1999

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Property taxes	\$ 1,359,736	\$ 1,359,736	\$ 0
Municipal income taxes	5,833,603	5,833,603	0
Other local taxes	194,505	194,505	0
Intergovernmental	1,573,304	1,573,304	0
Charges for services	6,273	6,273	0
Licenses and permits	228,029	228,029	0
Fines and forfeitures	718,972	718,972	0
Investment income	200,187	200,187	0
Miscellaneous income	33,136	33,775	639
Total revenues	<u>10,147,745</u>	<u>10,148,384</u>	<u>639</u>
Expenditures:			
Current operations and maintenance:			
Security of persons and property	3,727,500	3,677,335	50,165
Leisure time activities	153,000	144,761	8,239
Community development	281,000	277,308	3,692
Basic utility services	1,010,500	997,618	12,882
General government	3,873,309	3,647,357	225,952
Total expenditures	<u>9,045,309</u>	<u>8,744,379</u>	<u>300,930</u>
Excess (deficiency) of revenues over expenditures	<u>1,102,436</u>	<u>1,404,005</u>	<u>(301,569)</u>
Other financing sources (uses):			
Operating transfers - out	(1,145,000)	(1,145,000)	0
Sale of Fixed Assets	(250)	(250)	0
Total other financing sources (uses)	<u>(1,145,250)</u>	<u>(1,145,250)</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(42,814)</u>	<u>258,755</u>	<u>301,569</u>
Fund balance, beginning of year	954,384	954,384	0
Unexpended prior year encumbrances	40,537	40,537	0
Fund balance, end of year	<u>\$ 952,107</u>	<u>\$ 1,253,676</u>	<u>\$ 301,569</u>

(continued)

CITY OF BEREA, OHIO

Combined Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types
For the Year Ended December 31, 1999
(continued)

	Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes	\$ 562,880	\$ 562,880	\$ 0
Municipal income taxes	1,987,534	1,944,535	(42,999)
Intergovernmental	1,056,186	812,661	(243,525)
Charges for services	225,517	225,517	0
Fines and forfeitures	101,210	99,266	(1,944)
Special assessments	460,604	460,604	0
Investment income	81	81	0
Miscellaneous income	22,957	21,875	(1,082)
Total revenues	<u>4,416,969</u>	<u>4,127,419</u>	<u>(289,550)</u>
Expenditures:			
Current operations and maintenance:			
Security of persons and property	1,434,827	1,270,712	164,115
Public health and welfare	115,000	115,000	0
Leisure time activities	1,121,672	1,061,862	59,810
Community development	75,000	9,036	65,964
Transportation	1,133,000	944,649	188,351
General government	249,850	115,525	134,325
Total expenditures	<u>4,129,349</u>	<u>3,516,784</u>	<u>612,565</u>
Excess (deficiency) of revenues over expenditures	<u>287,620</u>	<u>610,635</u>	<u>323,015</u>
Other financing sources (uses):			
Operating transfers - in	1,515,000	1,367,086	(147,914)
Operating transfers - out	(2,290,630)	(1,968,580)	322,050
Total other financing sources (uses)	<u>(775,630)</u>	<u>(601,494)</u>	<u>174,136</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(488,010)</u>	<u>9,141</u>	<u>497,151</u>
Fund balance, beginning of year	669,717	669,717	0
Unexpended prior year encumbrances	39,828	39,828	0
Fund balance, end of year	<u>\$ 221,535</u>	<u>\$ 718,686</u>	<u>\$ 497,151</u>

(continued)

CITY OF BEREA, OHIO

Combined Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types
For the Year Ended December 31, 1999
(continued)

	Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes	\$ 1,485,522	\$ 1,485,522	\$ 0
Intergovernmental	382,723	382,723	0
Special assessments	11,475	11,475	0
Investment income	26,902	26,902	0
Total revenues	<u>1,906,622</u>	<u>1,906,622</u>	<u>0</u>
Expenditures:			
Current operations and maintenance:			
General government	500	106	394
Debt service:			
Principal retirement	8,580,000	8,580,000	0
Interest and fiscal charges	950,005	949,971	34
Total expenditures	<u>9,530,505</u>	<u>9,530,077</u>	<u>428</u>
Excess (deficiency) of revenues over expenditures	<u>(7,623,883)</u>	<u>(7,623,455)</u>	<u>428</u>
Other financing sources (uses):			
Operating transfers - in	375,000	375,000	0
Proceeds from sale of bonds	7,185,000	7,185,000	0
Total other financing sources (uses)	<u>7,560,000</u>	<u>7,560,000</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(63,883)</u>	<u>(63,455)</u>	<u>428</u>
Fund balance, beginning of year	280,160	280,160	0
Unexpended prior year encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance, end of year	<u>\$ 216,277</u>	<u>\$ 216,705</u>	<u>\$ 428</u>

(continued)

CITY OF BEREA, OHIO

Combined Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types
For the Year Ended December 31, 1999
(continued)

	Capital Project Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 887,811	\$ 905,340	\$ 17,529
Charges for services	247,239	247,239	0
Fines and forfeitures	27,159	27,159	0
Miscellaneous income	413,888	413,888	0
Total revenues	1,576,097	1,593,626	17,529
Expenditures:			
Capital outlay	4,169,787	3,672,364	497,423
Debt service:			
Principal retirement	50,000	50,000	0
Total expenditures	4,219,787	3,722,364	497,423
Excess (deficiency) of revenues over expenditures	(2,643,690)	(2,128,738)	514,952
Other financing sources (uses):			
Operating transfers - in	826,580	676,494	(150,086)
Proceeds from OWDA loans	1,262,125	1,000,684	(261,441)
Sale of fixed assets	133,469	283,555	150,086
Total other financing sources (uses)	2,222,174	1,960,733	(261,441)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(421,516)	(168,005)	253,511
Fund balance, beginning of year	568,812	568,812	0
Unexpended prior year encumbrances	16,978	16,978	0
Fund balance, end of year	\$ 164,274	\$ 417,785	\$ 253,511

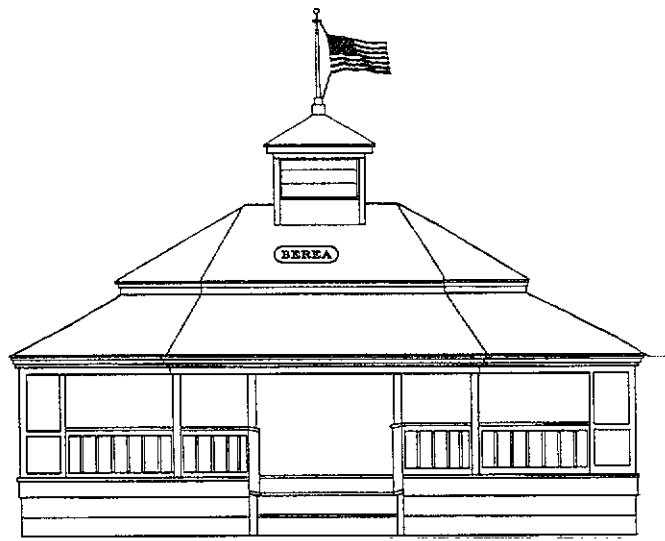
(continued)

CITY OF BEREA, OHIO

Combined Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types
For the Year Ended December 31, 1999

	<u>Totals (Memorandum Only)</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Property taxes	\$ 3,408,138	\$ 3,408,138	\$ 0
Municipal income taxes	7,821,137	7,778,138	(42,999)
Other local taxes	194,505	194,505	0
Intergovernmental	3,900,024	3,674,028	(225,996)
Charges for services	479,029	479,029	0
Licenses and permits	228,029	228,029	0
Fines and forfeitures	847,341	845,397	(1,944)
Special assessments	472,079	472,079	0
Investment income	227,170	227,170	0
Miscellaneous income	469,981	469,538	(443)
Total revenues	<u>18,047,433</u>	<u>17,776,051</u>	<u>(271,382)</u>
Expenditures:			
Current operations and maintenance:			
Security of persons and property	5,162,327	4,948,047	214,280
Public health and welfare	115,000	115,000	0
Leisure time activities	1,274,672	1,206,623	68,049
Community development	356,000	286,344	69,656
Basic utility services	1,010,500	997,618	12,882
Transportation	1,133,000	944,649	188,351
General government	4,123,659	3,762,988	360,671
Capital outlay	4,169,787	3,672,364	497,423
Debt service:			
Principal retirement	8,630,000	8,630,000	0
Interest and fiscal charges	950,005	949,971	34
Total expenditures	<u>26,924,950</u>	<u>25,513,604</u>	<u>1,411,346</u>
Excess (deficiency) of revenues over expenditures	<u>(8,877,517)</u>	<u>(7,737,553)</u>	<u>1,139,964</u>
Other financing sources (uses):			
Operating transfers - in	2,716,580	2,418,580	(298,000)
Operating transfers - out	(3,435,630)	(3,113,580)	322,050
Proceeds from sale of bonds	7,185,000	7,185,000	0
Proceeds from OWDA loans	1,262,125	1,000,684	(261,441)
Sale of fixed assets	133,219	283,305	150,086
Total other financing sources (uses)	<u>7,861,294</u>	<u>7,773,989</u>	<u>(87,305)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(1,016,223)</u>	36,436	1,052,659
Fund balance, beginning of year	2,473,073	2,473,073	0
Unexpended prior year encumbrances	<u>97,343</u>	<u>97,343</u>	<u>0</u>
Fund balance, end of year	<u>\$ 1,554,193</u>	<u>\$ 2,606,852</u>	<u>\$ 1,052,659</u>

See accompanying notes to the general purpose financial statements



CITY OF BEREA, OHIO

Combined Statement of Revenues,
Expenses, and Changes in Fund Equity
All Proprietary Fund Types
For the Year Ended December 31, 1999

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
Operating revenues:			
Charges for services	\$ 1,361,927	\$ 0	\$ 1,361,927
Miscellaneous income	0	696,351	696,351
Total operating revenues	<u>1,361,927</u>	<u>696,351</u>	<u>2,058,278</u>
Operating expenses:			
Personal services	1,081,433	0	1,081,433
Contractual services	334,105	972,004	1,306,109
Materials and supplies	144,428	0	144,428
Transportation	4,455	0	4,455
Depreciation	191,995	0	191,995
Total operating expenses	<u>1,756,416</u>	<u>972,004</u>	<u>2,728,420</u>
Operating loss	(394,489)	(275,653)	(670,142)
Non-operating revenues (expenses):			
Interest income	0	1,918	1,918
Interest expense	(209,031)	0	(209,031)
Total non-operating revenues (expenses)	<u>(209,031)</u>	<u>1,918</u>	<u>(207,113)</u>
Loss before operating transfers	(603,520)	(273,735)	(877,255)
Operating transfers - in	709,719	290,000	999,719
Operating transfers - out	<u>(248,400)</u>	<u>0</u>	<u>(248,400)</u>
Net loss	(142,201)	16,265	(125,936)
Add: Depreciation on fixed assets acquired under contributed capital	<u>191,995</u>	<u>0</u>	<u>191,995</u>
Increase (decrease) in retained Earnings	49,794	16,265	66,059
Retained earnings (deficit), beginning of year	<u>(860,901)</u>	<u>(53,086)</u>	<u>(913,987)</u>
Retained earnings (deficit), end of year	<u>(811,107)</u>	<u>(36,821)</u>	<u>(847,928)</u>
Contributed capital, beginning of year	8,341,211	0	8,341,211
Less: Depreciation on fixed assets acquired with contributed capital	(191,995)	0	(191,995)
Add: Capital contributed from government	<u>2,088,124</u>	<u>0</u>	<u>2,088,124</u>
Contributed capital, end of year	<u>10,237,340</u>	<u>0</u>	<u>10,237,340</u>
Total fund equity (deficit), end of year	<u>\$ 9,426,233</u>	<u>\$ (36,821)</u>	<u>\$ 9,389,412</u>
See accompanying notes to the general purpose financial statements			

CITY OF BEREA, OHIO

Combined Statement of Revenues, Expenses, and Changes in
Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
All Proprietary Fund Types
For the Year Ended December 31, 1999

	Enterprise Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for services	\$ 1,348,088	\$ 1,355,155	\$ 7,067
Total revenues	<u>1,348,088</u>	<u>1,355,155</u>	<u>7,067</u>
Expenses:			
Personal services	1,091,255	1,079,679	11,576
Contractual services	427,185	381,759	45,426
Materials and supplies	143,907	128,945	14,962
Transportation	5,500	4,804	696
Principal retirement	103,660	103,660	0
Interest	166,093	166,060	33
Total expenses	<u>1,937,600</u>	<u>1,864,907</u>	<u>72,693</u>
Excess (deficiency) of revenues over expenses	(589,512)	(509,752)	79,760
Other financing sources (uses):			
Operating transfers - in	745,000	709,719	(35,281)
Operating transfers - out	(270,000)	(248,400)	21,600
Total operating financing sources (uses)	<u>475,000</u>	<u>461,319</u>	<u>(13,681)</u>
Excess (deficiency) of revenues over expenses and operating transfers	(114,512)	(48,433)	66,079
Fund balance, beginning of year	85,071	85,071	0
Unexpended prior year encumbrances	<u>17,487</u>	<u>17,487</u>	<u>0</u>
Fund balance, end of year	<u>\$ (11,954)</u>	<u>\$ 54,125</u>	<u>\$ 66,079</u>

(continued)

CITY OF BEREA, OHIO

Combined Statement of Revenues, Expenses, and Changes in
Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
All Proprietary Fund Types
For the Year Ended December 31, 1999
(continued)

	Internal Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment income	\$ 1,918	\$ 1,918	\$ 0
Miscellaneous income	<u>723,851</u>	<u>696,351</u>	<u>(27,500)</u>
Total revenues	<u>725,769</u>	<u>698,269</u>	<u>(27,500)</u>
Expenses:			
Contractual services	<u>1,095,000</u>	<u>989,334</u>	<u>105,666</u>
Total expenses	<u>1,095,000</u>	<u>989,334</u>	<u>105,666</u>
Excess (deficiency) of revenues over expenses	(369,231)	(291,065)	78,166
Other financing sources (uses):			
Operating transfers - in	<u>290,000</u>	<u>290,000</u>	<u>0</u>
Total operating financing sources (uses)	<u>290,000</u>	<u>290,000</u>	<u>0</u>
Excess (deficiency) of revenues over expenses and operating transfers	(79,231)	(1,065)	78,166
Fund balance, beginning of year	75,141	75,141	0
Unexpended prior year encumbrances	<u>128</u>	<u>128</u>	<u>0</u>
Fund balance, end of year	<u>\$ (3,962)</u>	<u>\$ 74,204</u>	<u>\$ 78,166</u>

(continued)

CITY OF BEREA, OHIO

Combined Statement of Revenues, Expenses, and Changes in
Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
All Proprietary Fund Types
For the Year Ended December 31, 1999
(continued)

	Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for services	\$ 1,348,088	\$ 1,355,155	\$ 7,067
Investment income	1,918	1,918	0
Miscellaneous income	723,851	696,351	(27,500)
Total revenues	2,073,857	2,053,424	(20,433)
Expenses:			
Personal services	1,091,255	1,079,679	11,576
Contractual services	1,522,185	1,371,093	151,092
Materials and supplies	143,907	128,945	14,962
Transportation	5,500	4,804	696
Principal retirement	103,660	103,660	0
Interest	166,093	166,060	33
Total expenses	3,032,600	2,854,241	178,359
Excess (deficiency) of revenues over expenses	(958,743)	(800,817)	157,926
Other financing sources (uses):			
Operating transfers - in	1,035,000	999,719	(35,281)
Operating transfers - out	(270,000)	(248,400)	21,600
Total operating financing sources (uses)	765,000	751,319	(13,681)
Excess (deficiency) of revenues over expenses and operating transfers	(193,743)	(49,498)	144,245
Fund balance, beginning of year	160,212	160,212	0
Unexpended prior year encumbrances	17,615	17,615	0
Fund balance, end of year	\$ (15,916)	\$ 128,329	\$ 144,245

See accompanying notes to the general purpose financial statements

CITY OF BEREA

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 1999

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
Increase (decrease) in cash and cash equivalents:			
Cash flows from operating activities:			
Cash received from customers	\$ 1,355,155	\$ 0	\$ 1,355,155
Cash received from other revenues	0	696,351	696,351
Cash payments for personal services	(1,079,679)	0	(1,079,679)
Cash payments for travel and transportation	(4,804)	0	(4,804)
Cash payments for contractual services	(356,008)	(995,059)	(1,351,067)
Cash payments for vendors for supplies and materials	<u>(137,643)</u>	<u>0</u>	<u>(137,643)</u>
Net cash (used) by operating activities	<u>(222,979)</u>	<u>(298,708)</u>	<u>(521,687)</u>
Cash flows from non-capital financing activities:			
Operating transfers to other funds	(248,400)	0	(248,400)
Operating transfers from other funds	<u>709,719</u>	<u>290,000</u>	<u>999,719</u>
Net cash provided by non-capital financing activities	<u>461,319</u>	<u>290,000</u>	<u>751,319</u>
Cash flow used in capital and related financing activities:			
Principal paid on OWDA loans	(103,660)	0	(103,660)
Interest paid on OWDA loans	<u>(166,060)</u>	<u>0</u>	<u>(166,060)</u>
Net cash (used) in capital and related financing activities	<u>(269,720)</u>	<u>0</u>	<u>(269,720)</u>
Cash flow from investing activities:			
Interest received	<u>0</u>	<u>1,918</u>	<u>1,918</u>
Net cash provided by investing activities	<u>0</u>	<u>1,918</u>	<u>1,918</u>
Net increase(decrease) in cash and cash equivalents	(31,380)	(6,790)	(38,170)
Cash and cash equivalents, beginning of year	<u>126,879</u>	<u>81,269</u>	<u>208,148</u>
Cash and cash equivalents, end of year	\$ <u>95,499</u>	\$ <u>74,479</u>	\$ <u>169,978</u>

See accompanying notes to the general purpose financial statements

CITY OF BEREA, OHIO

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year ended December 31, 1999
(continued)

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
Reconciliation of operating loss to net cash (used)for operating activities:			
Operating loss	\$ (394,489)	\$ (275,653)	\$ (670,142)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	191,995	0	191,995
Changes in assets and liabilities:			
Increase in accounts receivable	(6,772)	0	(6,772)
Increase in inventory of supplies	15,054	0	15,054
Decrease in prepaid items	0	47	47
Decrease in accounts payable	(30,521)	(23,102)	(53,623)
Increase in accrued worker's compensation	(2,662)	0	(2,662)
Increase in accrued wages and benefits	2,269	0	2,269
Decrease in accrued compensation absences	(343)	0	(343)
Decrease in accrued pension	<u>2,490</u>	<u>0</u>	<u>2,490</u>
Net cash used for operating activities	\$ <u>(222,979)</u>	\$ <u>(298,708)</u>	\$ <u>(521,687)</u>

See accompanying notes to the general purpose financial statements

CITY OF BEREA

Notes to the General Purpose Financial Statements
December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE REPORTING ENTITY

The City of Berea 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 May 3, 1960.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the City are not misleading. This definition of reporting entity is found in GASB Statement No. 14, "The Financial Reporting Entity".

The City of Berea's primary government consists of all funds and departments which are not legally separate from the City. They include a police force, a fire fighting force, a street maintenance and sanitation force, planning and zoning departments, a parks and recreation system, a water treatment system, and a staff to provide essential support to these service providers.

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 the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The reporting entity of the City does not include any component units.

The City is associated with two jointly governed organizations, the Southwest General Health Center and the Woodvale Union Cemetery. These organizations are presented in Note 8 to the combined financial statements.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (continued)

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types. The following categories and fund types are used by the City:

GOVERNMENTAL FUNDS

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

General Fund

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of Berea and/or the general laws of Ohio.

Special Revenue Funds

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

Debt Service Funds

The debt service funds are used to account for the accumulation of resources for, and the payment of general long-term and special assessment principal, interest, and related costs, other than those paid by proprietary funds.

Capital Project Funds

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

PROPRIETARY FUNDS

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

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (continued)

Enterprise Funds

The enterprise funds are used to account for the City's water and sewer operations. They are financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds

The internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

C. BASIS OF ACCOUNTING

The financial statements of the City of Berea have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING (continued)

reporting principles. With respect to proprietary activities, the City has adopted GASB Statement 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

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

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

The modified accrual basis of accounting is used for reporting purposes by the governmental fund types, and agency funds. Under this method of accounting, the City recognizes revenue when it becomes both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which the City considers to be 60 days after year-end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term and special assessment obligations are recognized when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues accrued at the end of the year include income taxes withheld by employers, intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance), fines and forfeitures, interest on investments, and reimbursements due from federally funded projects for which corresponding expenditures have been made.

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

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING (continued)

revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 1999, and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have been recorded as deferred revenue. Special assessment installments are also recorded as deferred revenue because they do not meet the availability criteria.

The accrual basis of accounting is used for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and expenses are recorded when incurred. Unbilled service charges are recognized as revenue at year end.

D. BUDGETS AND BUDGETARY ACCOUNTING

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

TAX BUDGET

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

ESTIMATED RESOURCES

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund.

On or about January 1, the certificate of estimated resources is amended to include the actual fund balances at December 31. Further amendments may be made during the year if the Director of Finance determines that the previous revenue estimates need to be increased or decreased, and the County Budget Commission considers the changes reasonable. The amounts set forth in the financial statements represent estimates from the final amended certificate issued in 1999.

ANNUAL ESTIMATE

The Mayor, with the assistance of the Director of Finance, is required by charter to submit to Council, on or before December 1 of each fiscal year, an estimated expenditures for 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.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETS AND BUDGETARY ACCOUNTING (continued)

APPROPRIATIONS

An appropriation ordinance (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 amended certificate of estimated resources. Supplemental appropriations may be adopted by Council action. The Council approves appropriations by department for personal services and other. The other expenditures include fringes, contractual services, materials and supplies, capital outlay, and miscellaneous. Amounts shown in the financial statements represent the original appropriated budget amounts and all supplemental appropriations adopted through December 31, 1999.

BUDGETED LEVEL OF EXPENDITURE

Administrative control is maintained through the establishment of 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, Council appropriations are made to personal services and other for each department. The appropriations set by Council must remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the Director of Finance as long as the allocations are within Council's appropriated amount.

ENCUMBRANCES

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

LAPSING OF APPROPRIATION

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.

E. POOLED CASH AND INVESTMENTS

To improve cash management, the City pools all individual cash balances in a bank account and short-term cash equivalents. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents" on the combined balance sheet.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. POOLED CASH AND INVESTMENTS (continued)

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; 2) those which receive distributions of state gasoline tax and motor vehicle licenses fees (street maintenance and state highway special revenue funds); 3) the self-insurance fund. All remaining interest is allocated to the general fund. Legally, proprietary funds generally do not receive interest. Interest credited to the general fund during fiscal year 1999, amounted to \$206,474, which includes \$105,302 assigned from other City funds. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for non participating investment contracts (certificates of deposit) which are reported at cost. See Note 3 Deposits and Investments. For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments with original maturities of three months or less are considered to be cash equivalents.

F. INTERFUND RECEIVABLES/PAYABLES

Receivables and payables arising between funds for goods provided or services rendered are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans, or the short-term portion of advances, are classified as "interfund receivables/payables."

G. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid items using the allocation method. Prepayments are reported as assets of the fund that will derive future benefits from the expenditure. The reserve for prepaids, in the governmental funds, indicates the amount of the prepaid is not available as a current financial resource of the fund.

H. INVENTORY OF SUPPLIES

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

I. FIXED ASSETS

The fixed asset values were initially determined at December 31, 1986, assigning original acquisition costs when such information was available. In cases where information supporting original costs were not available, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value on the date donated.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. FIXED ASSETS (continued)

GENERAL FIXED ASSETS

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

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

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, lighting systems, and drainage systems, are not capitalized and are not reported. These assets are immovable and of value only to the government.

PROPRIETARY FUND FIXED ASSETS

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

	<u>YEARS</u>
Buildings	7 - 50
Machinery and equipment	6 - 40
Vehicles	5 - 7
Sewer lines	50
Water lines	50

CAPITALIZATION OF INTEREST

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 1999, interest incurred on proprietary fund construction projects was immaterial.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. COMPENSATED ABSENCES

A liability for leave benefits should be accrued according to NCGA Statement 4 if they meet the following conditions:

1. The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

The determination of the amount is based on the various benefit policies of the City. The amount of the liabilities at year end is the amount of benefits payable based on the policy. The liabilities are split between current and non-current.

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation leave on a calendar year basis. The City does not allow the unused balance to be carried over from one calendar year to the next without the approval of the Director of the department and the Mayor. City employees are paid for earned, unused vacation leave at the end of each year and at the time of termination of employment.

For all employees, except firefighters, sick leave is earned at the rate of four and six-tenths hours for every eighty hours worked. Firefighters earn sick leave at the rate of 24 hours, which equals one tour of duty, per month. Each employee with 10 - 20 years of service with the City is paid for one-fourth of the employee's earned unused sick leave, not to exceed 360 hours, or 17 tours of duty for firefighters, upon separation from the City. Each employee with 20 or more years of service with the City is paid for one-fourth of the employee's earned unused sick leave, limited to 63 tours for firefighters, upon separation from the City. The full balance may be transferred to another governmental agency if not taken upon separation.

Additionally, beginning January 1, 1995, firefighters with 20 or more years of service with the City may elect to sell back up to 12 tours of duty of accumulated sick leave in any one calendar year. The firefighter will be paid at their current pay rate multiplied by 25% of the total number of sick leave tours sold back.

GASB Statement 16, effective for fiscal years beginning after June 15, 1993, prescribes changes in the accrual for compensated absences. According to this statement, a liability for compensated absences should be recorded when future payments for such absences have been earned by employees regardless of their vesting status. The City employs the vesting method of calculation with the following assumptions: 1.) for all police and fire employees, it was assumed that they will achieve ten years of employment 2.) for all other City employees, it was assumed that if they have been employed five years, they will achieve ten years of employment. An accrual was made for these individuals based on normal sick leave limitations of the City. If the employee has not reached five years of employment, it was assumed that they would not achieve ten years of

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. COMPENSATED ABSENCES (continued)

employment. No accrual was made for these employees.

For governmental funds, the City provides a liability for unpaid accumulated sick leave for employees. The current portion of unpaid compensated absences is the amount to be paid using available expendable resources, and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the general long-term obligation account group. At December 31, 1999 these amounts were \$31,483 and \$555,214, respectively.

In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability. The liability for compensated absences in the proprietary funds at December 31, 1999 was \$51,158.

K. LONG-TERM OBLIGATIONS

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

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

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

Prior to 1987, the City had not prepared its financial statements in accordance with generally accepted accounting principles. Therefore, the exact amount of contributed capital pertaining to years prior to 1987 cannot be determined. It has been the policy of the City to construct and acquire capital assets used in operations of the water and sewer funds with resources of the capital project funds or through donations by developers. These assets are recorded as contributed capital in the accompanying combined financial statements.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. RESERVES OF FUND EQUITY

Reserves of fund equity in governmental funds indicate that a portion of the fund balances are not available for expenditure or are legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventory of supplies, and prepaid items.

N. INTERFUND TRANSACTIONS

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

Non-recurring and non-routine transfers of equity between funds, capital contributions to the enterprise funds, the subsequent return of all or part of such contributions, and the transfer of residual balances of discontinued funds or projects to the general fund, capital project funds, or debt service funds (when financed with debt proceeds) are classified as residual equity transfers.

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

O. INTERGOVERNMENTAL REVENUES

In governmental funds, federal grants awarded on a non-reimbursement basis are recorded as intergovernmental receivables and revenues when measurable and available. Federal reimbursable grants are recorded as intergovernmental receivables and revenues when the related liabilities are incurred.

P. STATEMENT OF CASH FLOWS

For purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments held by trustees, with a maturity of three months or less when purchased, to be cash equivalents. In addition, all cash and investments with the City's treasurer are also considered to be cash equivalents since they are available to the proprietary funds on demand.

Q. MEMORANDUM ONLY - TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS

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

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 2 - FUND EQUITY DEFICITS

SPECIAL REVENUE FUNDS

The recreation and community development block grant funds have a deficits of \$21,416 and \$2,688 respectively, caused by the application of generally accepted accounting principles. The general fund or the municipal income tax fund is liable for any deficit in the recreation fund and provides operating transfers when cash is needed, not when accruals occur. Funds are provided to the community development block grant fund when cash is needed, not when accruals occur.

CAPITAL PROJECTS FUNDS

The general improvement fund has a deficit of \$134,302 caused by the application of generally accepted accounting principles. Funds are provided when cash is needed, not when accruals occur.

ENTERPRISE FUNDS

The water revenue and sewer revenue funds have retained deficit earnings of \$618,725 and \$192,382, respectively, as a result of accumulated operating losses, and the application of generally accepted accounting principles. Funds are provided when cash is needed, not when accruals occur.

INTERNAL SERVICE FUNDS

The medical benefits and property/liability funds have retained deficit earnings of \$18,163 and \$18,658, respectively, as a result of accumulated operating losses, and the application of generally accepted accounting principles. Funds are provided when cash is needed, not when accruals occur.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and cash equivalents. State statutes classify monies held by the City into three categories.

Category 1 consists of active funds. "Active" funds are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Category 2 consists of "inactive" funds. Inactive funds are public deposits that Council has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

- 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;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Depository Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

such county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," collateral held in single financial collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- | | |
|------------|--|
| Category 1 | Insured or collateralized with securities held by the City of by its agent in the City's name. |
| Category 2 | Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. |
| Category 3 | Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name. |

Investments:

- | | |
|------------|--|
| Category 1 | Insured or registered, with securities held by the City or its agent in the City's name. |
| Category 2 | Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. |
| Category 3 | Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name. |

DEPOSITS

At year end, the carrying amount and fair value of the City's deposits was \$4,052,004 and the bank balance was \$4,343,528. Of the bank balance:

1. \$422,042 was covered by Federal depository insurance.
2. \$3,921,486 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions but not in the name of the City.

INVESTMENTS

City has no investments during 1999.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 4 - INCOME TAX

The City levies and collects an income tax of 2% 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% up to 1-1/2% 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 at least quarterly to the Regional Income Tax Agency, who administers the City's income tax collections. 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 fund and the municipal income tax fund. The general fund receives three-fourths and the municipal income tax fund receives one-fourth of the total income tax revenue. Income tax revenue for 1999, on the GAAP basis was \$5,874,741 for the general fund and \$1,958,248 for the municipal income tax fund. On the budget basis revenue was \$5,833,603 for the general fund and \$1,944,535 for the municipal income tax fund.

NOTE 5 - PROPERTY TAX

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 County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1994. 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.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 5 - PROPERTY TAX (continued)

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 Berea. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate applied to real property for the fiscal year ended December 31, 1999 was \$17.70 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property, upon which 1999 property tax receipts were based, are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$ 259,348,590
Public Utility Real	28,020
Public Utility Tangible	13,773,550
Tangible Personal	<u>24,088,592</u>
Total	<u>\$ 297,238,752</u>

NOTE 6 - INTERGOVERNMENTAL RECEIVABLE

Receivables at December 31, 1999 consisted of taxes, accounts (e.g., billings for user charged services, including unbilled utility services), special assessments, interest on investments, and intergovernmental receivables arising from grants, entitlements or shared revenues. All receivables are considered fully collectable. A summary of the principal items of intergovernmental receivables follows:

<u>FUND TYPE / FUND / REVENUE CLASSIFICATION</u>	<u>AMOUNTS</u>
<u>GENERAL FUND</u>	
Local government - state & county	\$ 64,523
Estate tax	<u>49,680</u>
Total General Fund	<u>114,203</u>

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 6 - INTERGOVERNMENTAL RECEIVABLE (continued)

<u>FUND TYPE / FUND / REVENUE CLASSIFICATION</u>	<u>AMOUNTS</u>
<u>SPECIAL REVENUE FUNDS</u>	
<u>Street Construction, Maintenance and Repair Fund</u>	
Gasoline tax	\$ 25,223
Motor vehicle licenses	<u>6,479</u>
Total Street Construction Maintenance and Repair Fund	31,702
<u>State Highway Fund</u>	
Gasoline tax	2,045
Automobile registrations	<u>525</u>
Total State Highway Fund	2,570
<u>Municipal Vehicle Tax Levy Fund</u>	
Permissive motor vehicle tax	<u>2,642</u>
Total Special Revenue Funds	<u>36,914</u>
Total Intergovernmental Receivable	<u>\$ 151,117</u>

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 7 - FIXED ASSETS

A. GENERAL FIXED ASSETS

Changes in general fixed assets during 1999 were as follows:

	BALANCE 1-1-99	ADDITIONS	DISPOSALS	BALANCE 12-31-99
Land	\$ 3,154,175	\$ 167,185	\$ 525,728	\$ 2,795,632
Land Improvements	2,344,128	3,730,876	0	6,075,004
Buildings	13,945,152	26,137	63,599	13,907,690
Building Improvements	7,736,153	2,686,628	0	10,422,781
Machinery and Equipment	1,692,422	417,652	92,477	2,017,597
Vehicles	2,844,022	126,883	160,241	2,810,664
Subtotal	<u>31,716,052</u>	<u>7,155,361</u>	<u>842,045</u>	<u>38,029,368</u>
Construction in Progress	<u>990,265</u>	<u>216,409</u>	<u>990,265</u>	<u>216,409</u>
Total General Fixed Assets	<u>\$32,706,317</u>	<u>\$ 7,371,770</u>	<u>\$ 1,832,310</u>	<u>\$38,245,777</u>

B. FUND FIXED ASSETS

All fund fixed assets relate to the sewer and water enterprise funds.
The balances as of December 31, 1999, for the two funds were as follows:

	SEWER REVENUE	WATER REVENUE	TOTAL ENTERPRISE FUNDS
Land	\$ 34,119	\$ 76,090	\$ 110,209
Land Improvements	400,312	744,950	1,145,262
Buildings	0	884,817	884,817
Building Improvements	0	1,528,500	1,528,500
Machinery and Equipment	310,232	1,422,255	1,732,487
Vehicles	0	51,543	51,543
Sewer Lines	6,733,197	0	6,733,197
Water Lines	0	5,950,179	5,950,179
Subtotal	<u>7,477,860</u>	<u>10,658,334</u>	<u>18,136,194</u>
Construction in Progress	<u>2,849,256</u>	<u>860,554</u>	<u>3,709,810</u>
Total Fund Fixed Assets	<u>10,327,116</u>	<u>11,518,888</u>	<u>21,846,004</u>
Less Accumulated Depreciation	<u>(3,546,762)</u>	<u>(6,151,473)</u>	<u>(9,698,235)</u>
Net Fund Fixed Assets	<u>\$ 6,780,354</u>	<u>\$ 5,367,415</u>	<u>\$12,147,769</u>

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 8 - JOINTLY GOVERNED ORGANIZATIONS

SOUTHWEST GENERAL HEALTH CENTER

The Southwest General Health Center is an Ohio nonprofit corporation providing health services. The Health Center is a jointly governed organization among the communities of Berea, Brook Park, Columbia Township, Middleburg Heights, Olmsted Falls and Strongsville.

The Health Center is governed by a Board of Trustees consisting of the following: one member of the legislative body from each of the political subdivisions, one resident from each of the political subdivisions who is not a member of the legislative body, three persons who are residents of any of the participating political subdivisions, the president and the executive vice president of the corporations, and the president and the vice president of the medical staff. The legislative body of each political subdivision elect their own member to serve on the Board of Trustees of the Health Center.

The Board exercises total control over the operation of the Health Center including budgeting, appropriating, contracting and designating management. Each City's control is limited to its representation on the Board. In 1999, the City of Berea contributed \$115,000 of property tax levies to the Health Center.

WOODVALE UNION CEMETERY

The Woodvale Union Cemetery is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Woodvale Union Cemetery provides burial grounds and burial services to the public. The Cemetery is a jointly governed organization among the communities of Berea and Middleburg Heights.

The Cemetery is governed by a joint council consisting of the council members from both member communities. The joint council elects and appoints the members of the Board of Trustees. The members of the Board of Trustees consists of the following: one elected member of the legislative body from each of the political subdivisions, and one appointed resident from either of the political subdivisions who is not a member of the legislative body.

The joint council exercises control over the operation of the Cemetery through budgeting, appropriating, and contracting. The Board of Trustees control daily operations of the Cemetery. Each City's control is limited to its representation on the Joint Council. In 1999, the City of Berea contributed \$5,000 to the Cemetery.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 9 - 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 the GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

The City of Berea 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. Interested parties may obtain a copy 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-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent of covered payroll. The City's required contributions to PERS for the years ended December 31, 1999, 1998, and 1997, were \$392,890, \$355,673, and \$334,588 respectively. The full amount has been contributed for 1998 and 1997, 73 percent has been contributed for 1999 with the remainder being reported as a liability within the respective funds.

B. OHIO POLICE AND FIRE PENSION FUND

The City of Berea contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. The 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. The OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while the City is required to contribute 19.5 percent for police and 24.0 percent for firefighters. The City's contributions to OP&F for the years ended December 31, 1999, 1998, and 1997 were \$505,207, \$496,677, and \$474,081, respectively. The full amount has been contributed for 1998 and 1997, 71 percent has been contributed for 1999 with the remainder being reported as a liability within the respective funds.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability 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 contributions to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires employers to fund postretirement health care through their contributions to the PERS of Ohio. The 1999 employer contribution rate was 13.55 percent of covered payroll for employees not engaged in law enforcement; 4.2 percent, which amounts to \$182,261 of covered payroll, was the portion that was used to fund health care for 1999.

Other postemployment benefits are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for other postemployment benefits during 1999 were \$523,599,349.

As of December 31, 1999, the unaudited estimated net assets available for future other postemployment benefits payments were \$9,870,285,641. The number of benefit recipients eligible for other postemployment benefits at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to other postemployment benefits. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. OHIO POLICE AND FIRE PENSION FUND

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

The health care coverage provided by the retirement system is considered Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The Ohio Revised Code provides statutory authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses.

The Board defined allocation was 6.5 percent and 7.0 percent of covered payroll in 1998 and 199, respectively. The allocation is 7.25 percent in 2000. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998, (the latest information available) was 11,424 for police and 9,186 for firefighters. The portion of the City's contributions that was used to pay postemployment benefits was \$146,764 for police and \$93,360 for firefighters. The Fund's total health care expenses for the year ended December 31, 1998 (the latest information available) was \$78,596,790, which was net of member contributions of \$5,331,515.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 11 - OUTSTANDING DEBT

A. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 1999 are as follows:

	Balance January 1, 1999	Addition	(Reduction)	Balance December 31, 1999
GENERAL OBLIGATION BONDS:				
7.43% 1989 Various Purpose	\$ 275,000	\$ 0	\$ (275,000)	\$ 0
4.68% 1989 Various Purpose	2,403,475	0	(130,000)	2,273,475
6.10% 1992 Library	1,085,000	0	(50,000)	1,035,000
7.43% 1989 Various Purpose	220,000	0	(220,000)	0
4.68% 1989 Various Purpose	959,945	0	(70,000)	889,945
6.10% 1992 Various Purpose	3,210,000	0	(185,000)	3,025,000
4.68% 1993 Various Purpose	2,078,604	0	(180,000)	1,898,604
5.35% 1999 Various Purpose	0	7,185,000	(185,000)	7,000,000
Total General Obligation Bonds	10,232,024	7,185,000	(1,295,000)	16,122,024
URBAN RENEWAL BONDS:				
6.100% 1992 Urban Renewal	1,590,000	0	(75,000)	1,515,000
4.680% 1993 Urban Renewal	540,000	0	(25,000)	515,000
Total Urban Renewal Bonds	2,130,000	0	(100,000)	2,030,000
OHIO WATER DEVELOPMENT AUTHORITY LOANS (OWDA):				
4.56% 1994 Sewer	402,224	0	(17,544)	384,680
6.72% 1994 Water	1,008,791	0	(37,025)	971,766
6.11% 1997 Water	687,438	0	(13,330)	674,108
5.66% 1998 Sewer	225,000	0	(17,345)	207,655
5.66% 1998 Water	100,000	0	(7,709)	92,291
5.58% 1999 Sewer	0	725,000	(10,215)	714,785
5.50% 1999 Water	0	550,000	0	550,000
5.50% 1999 Water	0	175,000	0	175,000
Total OWDA Loans	2,423,453	1,450,000	(103,168)	3,770,285
OTHER LONG-TERM BENEFITS:				
Accrued pension	272,901	360,713	0	633,614
Accrued sick and vacation	545,583	9,631	0	555,214
Total Other	818,484	370,344	0	1,188,828
Total	\$15,603,961	\$ 9,005,344	\$(1,498,168)	\$23,111,137

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 11 - OUTSTANDING DEBT (continued)

A. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS (continued)

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. The general obligation bonds outstanding as of December 31, 1999 are to be repaid from both voted and unvoted property taxes levied on all taxable property located within the City, municipal income taxes, and transfers from the water revenue fund for exempt properties. Exempt properties include organizations exempt from taxation, such as colleges and churches, as well as property outside the City's jurisdiction who are provided water services from the City. The City assesses these exempt properties through a surcharge on their water bills to pay for the debt.

The City pays installments on the accrued liability of the Police and Firemen's Disability and Pension Fund of Ohio. This liability was incurred when the State of Ohio established the statewide pension system for Police and Firemen in 1967. As of December 31, 1999, the liability of the City was \$269,674, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group. The current portion is not included as a current liability in either the police pension transfer fund or the fire pension transfer fund because it is not material in amount.

A retirement schedule for Other Long-Term Benefits is not presented due to the undeterminable nature of the annual requirements.

The City's overall legal debt margin was \$15,304,750 at December 31, 1999.

<u>TAXABLE BONDS -</u> <u>O.R.C. SECTION 725</u> <u>(URBAN RENEWAL)</u>	<u>Balance</u> <u>January 1,</u> <u>1999</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31,</u> <u>1999</u>
<u>City Portion:</u>			
<u>11.34% 1990</u>			
Cleveland Browns	\$ 869,526	\$ 0	\$ 869,526
<u>Cleveland Brown's</u> <u>Portion:</u>			
<u>**11.34% 1990</u>			
Cleveland Browns	790,855	166,297	624,558
<u>**11.34% 1990</u>			
Cleveland Browns	<u>6,108,618</u>	<u>552,703</u>	<u>5,555,915</u>
Total Cleveland Browns Portion	<u>6,899,473</u>	<u>719,000</u>	<u>6,180,473</u>
Total Taxable Bonds	<u>\$ 7,768,999</u>	<u>\$ 719,000</u>	<u>\$ 7,049,999</u>

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 11 - OUTSTANDING DEBT (continued)

A. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS (continued)

During 1990, the City issued \$10,000,000 of Urban Renewal Taxable Municipal Bonds (O.R.C. Section 725), the first of its kind in the State of Ohio. These bonds were used for the construction of an office and training facility which is owned by the City and leased to the Cleveland Browns. The Cleveland Browns are responsible for \$6,180,473 of the bonds, reported in the Cleveland Browns enterprise fund, and the City is responsible for \$869,526 of the bonds, reported in the general long-term debt account group.

** During 1996, the Cleveland Browns franchise was relocated. The Browns portion of the bonds were assumed by the National Football League (NFL). In addition, the NFL will pay \$350,000 annually from 1996 through 2002 as cash relief to cover the City's annual payment, or \$1,073,161 of the City's outstanding bond balance. The remaining balance on the City's portion of the bonds will be \$350,000 annually due in the years 2003 through 2005. In October, 1998, the NFL assigned the lease agreements to the new Cleveland Browns Franchise, as well as the cash relief payments to the City. See Note 12 - Leases, for additional information.

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 1999 are as follows:

Year	General Obligation Bonds	Urban Renewal Bonds	City's Taxable Bonds	Browns Taxable Bonds	OWDA Loan	Total
2000	\$ 2,091,759	\$ 222,699	\$ 0	\$ 1,578,357	\$ 378,167	\$ 4,270,982
2001	2,186,436	222,604	0	1,580,915	378,167	4,368,122
2002	2,181,376	227,074	0	1,579,417	378,167	4,366,034
2003	2,193,569	225,938	350,000	1,226,842	378,167	4,374,516
2004	2,152,451	221,184	350,000	1,224,886	378,167	4,326,688
There- after	15,087,450	1,857,686	350,000	1,834,187	4,095,226	23,224,549
Total	\$25,893,041	\$ 2,977,185	\$ 1,050,000	\$ 9,024,604	\$ 5,986,061	\$44,930,891

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 11 - OUTSTANDING DEBT (continued)

B. NOTE DEBT

Note debt activity for the year ended December 31, 1999, consisted of the following:

	Balance January 1, 1999	Additions	Reductions	Balance December 31, 1999
GENERAL OBLIGATION NOTES:				
4.000%-4.100% Recreation Center	\$4,100,000	\$ 0	\$4,100,000	\$ 0
4.000%-4.100% Street Program	250,000	0	250,000	0
4.000%-4.100% Police Department Improvements	55,000	0	55,000	0
4.000%-4.100% Public Safety Vehicles	50,000	0	50,000	0
4.000%-4.100% Front St. Brick Walkway	50,000	0	50,000	0
4.000%-4.100% Public Service Vehicles	30,000	0	30,000	0
4.000%-4.100% Fire Dept. Pump Truck	255,000	0	255,000	0
4.000%-4.100% Municipal Building Improvements	159,000	0	159,000	0
4.000%-4.100% Recreation Real Estate	402,000	0	402,000	0
4.000%-4.100% Recreation Improvements	166,000	0	166,000	0
4.000%-4.100% Road Resurfacing	330,000	0	330,000	0
4.000%-4.100% Public Service Vehicles	113,000	0	113,000	0
4.050%-4.090% 1995 Street Program	275,000	0	275,000	0
4.050%-4.090% Recreation Improvements	100,000	0	100,000	0
4.050%-4.090% Vehicles	200,000	0	200,000	0
4.050%-4.090% Sewer Lines	<u>650,000</u>	<u>0</u>	<u>650,000</u>	<u>0</u>
Sub-total	<u>7,185,000</u>	<u>0</u>	<u>7,185,000</u>	<u>0</u>
Promissory Note	<u>150,000</u>	<u>0</u>	<u>50,000</u>	<u>100,000</u>
Total General Obligation Notes	<u>\$7,335,000</u>	<u>\$ 0</u>	<u>\$7,235,000</u>	<u>\$ 100,000</u>

On March 19, 1999 the City issued general obligation bonds in the amount of \$7,185,000. The bonds were issued pursuant to Chapter 133 of the Revised Code, the Charter of the City and an ordinance passed by City Council. The principal of the bonds were used to retire bond anticipation notes maturing April 15, 1999, in the aggregate principal amount of \$7,185,000.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 11 - OUTSTANDING DEBT (continued)

C. SHORT-TERM NOTE DEBT

Short-term note debt activity for the year ended December 31, 1999, consisted of the following:

	<u>Balance</u> January 1, 1999	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> December 31, 1999
Promissory Note	50,000	50,000	50,000	50,000

In fiscal year 1997 the City signed a promissory note in the amount of \$250,000, with 0.00% interest, for the purchase of a building. Payments on the note are payable in five annual installments due on or before the first day of May of each year, commencing May 1, 1998 with the last payment being due on May 1, 2002. In fiscal year 1999, the building was sold. However, the City remains responsible for the promissory note payments, per the original schedule.

NOTE 12 - LEASES

The City entered into a lease agreement in 1990 for the rental of an office and training facility with the Cleveland Browns, which for accounting purposes is reported as an operating lease. The Cleveland Browns are responsible under the lease to assume all cost of maintenance and liability insurance, including major repairs and improvements. The facility, constructed by the City on City-owned land, is the property of the City. The cost of land improvements were paid for by the Cleveland Browns, and the improvements are the property of the City.

The facility and land improvements were funded through taxable urban renewal bonds for \$10,000,000 and approximately \$5,500,000 from the Cleveland Browns. The City's original portion of the \$10,000,000 taxable bonds is \$2,496,349 plus interest and is paid out of the General Fund's non-tax revenues. The Browns' original portion of the taxable bonds is \$7,503,651. The balance of this debt as of December 31, 1998 was reclassified due to the cash relief payment agreement to \$869,526 for the City's portion of the debt and \$6,899,473 for the Cleveland Browns' portion of the debt. As of December 31, 1999, the Cleveland Browns' portion of the debt is \$6,180,473. The City is not responsible for repaying the Browns' portion of the debt; however, due to provisions in the office and training facility lease agreement, the City may pay on the debt if it chooses, although the City has no legal obligation to do so. The bond payments are to be paid to a trustee who is responsible for principal and interest payments to the holders of the bonds.

During 1996, the Brown's franchise was relocated. According to the office and training facility lease agreement, due to the relocation 1) the facility could be subleased, with the City's consent or 2) the Browns organization could pay off both the Browns and the City's outstanding bonds on the facility. To guarantee the relocation of a future team in the City of Berea, the City agreed to sublease the facility to the NFL until the time when a new team was headquartered in the City. The NFL also agreed to provide the City with \$350,000 cash relief annually from 1996 to 2002. During 1999, the new Cleveland Browns franchise assumed the office and training facility lease. In addition, the new Cleveland Browns Franchise will provide the City with \$350,000 cash relief annually from 1998 to 2002.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The City maintains three enterprise funds. The water and sewer funds are intended to be self-supporting through user fees charged for services to the public. The Cleveland Browns Fund accounts for the revenues received from the Browns and for the payment of the Browns' portion of the taxable urban renewal bonds. Financial segment information as of and for the year ended December 31, 1999 is presented as follows:

	WATER REVENUE FUND	SEWER REVENUE FUND	CLEVELAND BROWNS FUND	TOTAL
Operating Revenues	\$ 828,635	\$ 533,292	\$ 0	\$ 1,361,927
Depreciation Expense	102,458	89,537	0	191,995
Operating (Loss) Income	(532,682)	138,193	0	(394,489)
Operating Transfers - In	709,719	0	0	709,719
Operating Transfers - Out	(85,000)	(163,400)	0	(248,400)
Net Loss	(46,611)	(95,590)	0	(142,201)
Contributed Capital Property, Plant and Equipment:	4,406,984	5,830,356	0	10,237,340
Additions	387,084	944,716	0	1,331,800
Deletions	38,276	794,600	0	832,876
Total Assets	6,442,175	7,006,372	6,303,348	19,751,895
Net Working Capital	196,116	173,208	122,875	492,199
Taxable Obligation				
Bonds Payable	0	0	624,558	624,558
Cleveland Browns Bonds Payable	0	0	5,555,915	5,555,915
Interest Payable	84,110	35,293	122,875	242,278
Total Equity	3,788,259	5,637,974	0	9,426,233

NOTE 14 - INTERFUND RECEIVABLES/PAYABLES

At December 31, 1999, the interfund receivables and payables were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$63,988	\$ 0
Indigent Drivers Alcohol Treatment Fund	730	0
DUI Education Fund	85	0
Court Computer Fund	4,846	0
Court Computer Research Fund	243	0
State Highway Patrol Fund	63	0
Municipal Court Fund	<u>0</u>	<u>69,955</u>
Total Interfund Receivables/ Payables	<u>\$69,955</u>	<u>\$69,955</u>

NOTE 15 - OPERATING TRANSFERS

The City's Combined Statement of Revenue, Expenditures, and Changes in Fund Balances displays operating transfers-in and transfers-out for the year ended December 31, 1999. These totals are not in agreement due to the regional sewer

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 15 - OPERATING TRANSFERS (continued)

fund, an agency fund. The regional sewer fund made a transfer of \$56,319 to the water revenue fund, during the reporting period for billing charges. A reconciliation of operating transfers, including the regional sewer fund is as follows:

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
General	\$ <u>0</u>	<u>\$1,145,000</u>
<u>Special Revenue</u>		
Recreation	767,086	0
Municipal Income Tax	0	1,888,586
S.C.M.R.	490,000	0
Fire Pension	45,000	0
Police Pension	65,000	0
C.D.B.G	0	79,994
Total Special Revenue	<u>1,367,086</u>	<u>1,968,580</u>
<u>Debt Service</u>		
General Bond Retirement	375,000	0
Total Debt Service	<u>375,000</u>	<u>0</u>
<u>Capital Projects</u>		
General Improvement	492,494	0
Recreation Capital Improvement	184,000	0
Total Capital Projects	<u>676,494</u>	<u>0</u>
<u>Enterprise</u>		
Water Revenue	709,719	85,000
Sewer Revenue	0	163,400
Total Enterprise	<u>709,719</u>	<u>248,400</u>
<u>Internal Service</u>		
Property/Liability Insurance	290,000	0
Total Internal Service	<u>290,000</u>	<u>0</u>
<u>Agency</u>		
Regional Sewer	0	56,319
Total Internal Service	<u>0</u>	<u>56,319</u>
Total All Funds	<u>\$3,418,299</u>	<u>\$3,418,299</u>

NOTE 16 - 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.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING (continued)

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Statement of Revenues, Expenses, and Changes in Fund Balances - 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 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 adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the government funds and proprietary funds are as follows:

	Excess (Deficiency) of Revenues & Other Sources Over Expenditures and Other Uses All Governmental Fund Types			
Governmental Funds	General	Special Revenue	Debt Service	Capital Project
GAAP Basis	\$ 393,144	\$ 140,152	\$ (63,455)	\$ (389,688)
<u>Increases (Decreases)</u>				
<u>Due to:</u>				
Revenue Accruals	(116,769)	(37,989)	0	191,815
Expenditure Accruals	(17,620)	(93,022)	0	29,868
Budget Basis	\$ 258,755	\$ 9,141	\$ (63,455)	\$ (168,005)

	Net Loss/Excess (Deficiency) of Revenues and Operating Transfers Over Expenses All Proprietary Fund Types	
Proprietary Funds	Enterprise	Internal Service
Net (Loss) Income	\$ (142,201)	\$ 16,265
<u>Increases (Decreases) Due To:</u>		
Revenue Accruals	(6,772)	0
Expense Accruals	27,259	(17,330)
Inventory	(15,054)	0
Depreciation Expense	191,995	0
Debt Retirement	(103,660)	0
Budget Basis	\$ (48,433)	\$ (1,065)

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 17 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY INSURANCE

The City of Berea 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 fiscal year 1993, the City established a property and liability insurance internal service fund to account for and finance its uninsured and insured risk of loss. Under this program, the property and liability insurance fund provides coverage up to a maximum of \$25,000 for each general liability claim, with stop loss of \$250,000. The City purchases commercial insurance for claims in excess of coverage provided by the fund for all risk of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The general fund, recreation special revenue fund and the water revenue and sewer revenue enterprise funds participate in the program and make payments to the property and liability insurance internal service fund based on estimates of the amounts needed to pay prior year and current year claims. The claims liability of \$30,054 at December 31, 1999 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. Changes in the property and liability insurance internal service fund claims liability balance for the years ended 1998 and 1999 are as follows:

	Balance, January 1	Current Year Claims	Claim Payments	Balance, December 31
1998	\$ 23,613	\$340,134	\$319,838	\$ 43,909
1999	43,909	291,380	305,235	30,054

B. MEDICAL BENEFITS

The City of Berea has elected to provide employee medical, surgical, prescription drug, dental, and vision benefits. The City maintains a self-insurance internal service fund to account for this program. The plan provides medical/surgical coverage with certain deductibles, co-pays and maximum benefits as noted in the plan. The dental/vision benefits are also subject to certain deductibles, co-pays and maximum benefits as noted in the plan. The prescription drug plan utilizes a \$2 generic, \$4 brand name deductible per prescription. The plan is administered by Benefit Services, Inc. and overseen by Legacy Administrative Services, Inc. All claims are reviewed by Benefit Services, Inc. and the City of Berea, before claims are paid by the City. All of the above limitations are subject to certain guidelines and restrictions.

The City of Berea pays into the self-insurance internal service fund \$675 for family coverage and \$275 for single coverage per month. The premium is charged to the fund that records the salary expenditure of the covered employee. The premium is based upon historical cost data provided by the insurance carriers.

CITY OF BEREA

Notes to the General Purpose Financial Statements (continued)
December 31, 1999

NOTE 17 - RISK MANAGEMENT (continued)

B. MEDICAL BENEFITS (continued)

The claims liability of \$85,971 reported in the medical benefits internal service fund at December 31, 1999 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost, including estimates of cost relating to incurred but not reported claims, be reported. Changes in the medical benefits internal service fund's claims liability amount in 1998 and 1999 were as follows:

	<u>Balance</u> <u>January 1</u>	<u>Current</u> <u>Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance</u> <u>December 31</u>
1998	\$102,111	\$707,066	\$713,959	\$ 95,218
1999	95,218	680,577	689,824	85,971

C. WORKERS' COMPENSATION

Workers' compensation coverage is provided by the State 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.

NOTE 18 - CONTINGENCIES

A. LITIGATION

The City of Berea is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. In those cases where a loss is probable and measurable, a liability has been recognized. It is the opinion of the City that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial position of the City.

B. GRANTS

The disbursement of funds received under federal and state grants generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any potential disallowed claims resulting from such an audit could become a liability of the City. However, City management believes any such disallowed claims would be immaterial on the overall financial position of the City at December 31, 1999.

CITY OF BEREA, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 1999

CITY OF BEREA, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 1999

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Ohio Society of Certified Public Accountants

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

Honorable Mayor, Finance Director, and
Members of Council
City of Berea, Ohio

We have audited the general purpose financial statements of the City of Berea, Ohio (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated May 16, 2000. 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

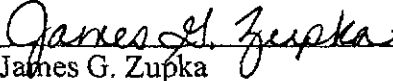
In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide assurance on the internal control over financial reporting. Our 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 material weaknesses.

However, we noted other matters involving the internal control and noncompliance over financial reporting that we have reported to the management of the City in a separate letter dated May 16, 2000.

This report is intended for the information and use of the audit committee, members of City Council, management, 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.

May 16, 2000


James G. Zupka
Certified Public Accountant

CITY OF BEREA, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 1999

The prior audit report, as of December 31, 1998, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF BEREA
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.

By: Susan Babbitt

Date: JUL 27 2000