

**CITY OF MONROE**

Combined General-Purpose  
Financial Statements  
December 31, 1998

**Olive**

# **CITY OF MONROE**

Combined General-Purpose  
Financial Statements  
December 31, 1998



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1<sup>st</sup> Floor  
Columbus, Ohio 43215  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-728-7398

City Council  
City of Monroe  
Monroe, Ohio

We have reviewed the Independent Auditor's Report of the City of Monroe, Butler County, prepared by Olive LLP, for the audit period January 1, 1998 to December 31, 1998. 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 Monroe is responsible for compliance with these laws and regulations.



JIM PETRO  
Auditor of State

August 22, 2000

# CITY OF MONROE

## Table of Contents

	<b>Page</b>
<b>Independent Auditor's Report</b>	<b>1</b>
<b>General-Purpose Financial Statements</b>	
Combined balance sheet — all fund types, account groups and discretely presented component unit	2
Combined statement of revenues, expenditures and changes in fund balances — all governmental fund types, expendable trust funds and discretely presented component unit	6
Combined statement of revenues, expenditures and changes in fund balances — budget and actual (budget basis) — all governmental fund types and expendable trust funds	7
Combined statement of revenues, expenses and changes in fund equity — all Enterprise Funds	9
Combined statement of revenues, expenses, and changes in fund equity — budget and actual (budget basis) — all Enterprise Funds	10
Combined statement of cash flows — all Enterprise Funds	11
Notes to combined general-purpose financial statements	13
Report on compliance and on the internal control over financial reporting based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	43



## Independent Auditor's Report

City Council  
City of Monroe  
Monroe, Ohio

We have audited the accompanying combined general-purpose financial statements of the City of Monroe (City) as of December 31, 1998, as listed in the table of contents. These combined general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these combined 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 25, the Monroe Firemen's Association (a discretely presented component unit of the City) prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the component unit which prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles, as described in Note 25, the combined general-purpose financial statements referred to above present fairly, in all material respects, the combined general-purpose financial position of the City of Monroe as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2000 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Olive LLP".

Cincinnati, Ohio  
May 12, 2000

**CITY OF MONROE, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT  
 DECEMBER 31, 1998**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,856,166	\$429,641	\$129,699	\$1,509,470
Investments	239,099	0	1,509	0
Cash with Fiscal Agent	0	0	21,340	0
Investments with Fiscal Agent	0	0	581,662	0
<b>Segregated Accounts:</b>				
Cash and Cash Equivalents	0	0	0	0
<b>Receivables:</b>				
Property and Other Taxes	344,666	817,713	0	0
Income Taxes	147,507	0	0	0
Accounts	5,099	728	0	300
Special Assessments	0	36,961	2,092,820	0
Accrued Interest	11,262	0	0	0
Due from Other Funds	247,917	0	0	0
Due from Other Governments	102,344	25,052	0	0
Prepaid Items	37,625	0	0	0
<b>Restricted Assets:</b>				
Cash and Cash Equivalents with Trustee	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits</b>				
Amount to be Provided for Retirement of Special Assessment Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$2,991,685</b>	<b>\$1,310,095</b>	<b>\$2,827,030</b>	<b>\$1,509,770</b>

See notes to combined general-purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals		Totals Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	Primary Government (Memorandum Only)	Component Unit	
Enterprise	Trust and Agency					
\$605,300	\$17,575	\$0	\$0	\$4,547,851	\$0	\$4,547,851
0	46,500	0	0	287,108	0	287,108
0	0	0	0	21,340	0	21,340
0	0	0	0	581,662	0	581,662
0	12,564	0	0	12,564	60,804	73,368
0	0	0	0	1,162,379	0	1,162,379
0	0	0	0	147,507	0	147,507
218,687	0	0	0	224,814	0	224,814
0	0	0	0	2,129,781	0	2,129,781
107	0	0	0	11,369	0	11,369
0	0	0	0	247,917	0	247,917
0	0	0	0	127,396	0	127,396
0	0	0	0	37,625	0	37,625
143,230	0	0	0	143,230	0	143,230
2,693,860	0	8,066,211	0	10,760,071	0	10,760,071
0	0	0	845,700	845,700	0	845,700
0	0	0	70,301	70,301	0	70,301
<u>\$3,661,184</u>	<u>\$76,639</u>	<u>\$8,066,211</u>	<u>\$916,001</u>	<u>\$21,358,615</u>	<u>\$60,804</u>	<u>\$21,419,419</u>

**CITY OF MONROE, OHIO  
COMBINED BALANCE SHEET  
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT  
DECEMBER 31, 1998**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities</b>				
Accounts Payable	\$12,196	\$5,396	\$2,237	\$0
Contracts Payable	11,753	0	0	179,196
Retainage Payable	0	0	0	13,343
Accrued Wages and Benefits	12,670	9,419	0	0
Compensated Absences Payable	0	0	0	0
Due to Other Funds	0	0	0	0
Due to Other Governments	30,822	30,950	0	0
Deferred Revenue	317,855	854,674	2,092,820	0
Undistributed Monies	0	0	0	0
Deposits Held and Due to Others	0	0	0	0
Accrued Interest Payable	0	10,463	0	132,491
Notes Payable	0	600,000	0	5,038,000
Payable from Restricted Assets:				
Accrued Interest Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Mortgage Revenue Bonds Payable	0	0	0	0
Special Assessment Bonds Payable with Governmental Commitment	0	0	0	0
<b>Total Liabilities</b>	<b>385,296</b>	<b>1,510,902</b>	<b>2,095,057</b>	<b>5,363,030</b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Reserved for Revenue Bond Future Debt Service	0	0	0	0
Reserved for Revenue Bond Replacement and Improvement	0	0	0	0
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	77,999	50,767	46,264	1,150,041
Unreserved (Deficit)	2,528,390	(251,574)	685,709	(5,003,301)
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>2,606,389</b>	<b>(200,807)</b>	<b>731,973</b>	<b>(3,853,260)</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$2,991,685</b>	<b>\$1,310,095</b>	<b>\$2,827,030</b>	<b>\$1,509,770</b>

See notes to combined general-purpose financial statements



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals		Totals Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	Primary Government (Memorandum Only)	Component Unit	
Enterprise	Trust and Agency					
\$37,955	\$0	\$0	\$0	\$57,784	\$0	\$57,784
0	0	0	0	190,949	0	190,949
0	0	0	0	13,343	0	13,343
2,595	0	0	0	24,684	0	24,684
567	0	0	2,501	3,068	0	3,068
240,000	7,917	0	0	247,917	0	247,917
123,876	3,425	0	0	189,073	0	189,073
0	0	0	0	3,265,349	0	3,265,349
0	546	0	0	546	0	546
0	676	0	0	676	0	676
9,707	0	0	0	152,661	0	152,661
700,000	0	0	0	6,338,000	0	6,338,000
6,330	0	0	0	6,330	0	6,330
0	0	0	67,800	67,800	0	67,800
1,195,000	0	0	0	1,195,000	0	1,195,000
0	0	0	845,700	845,700	0	845,700
<u>2,316,030</u>	<u>12,564</u>	<u>0</u>	<u>916,001</u>	<u>12,598,880</u>	<u>0</u>	<u>12,598,880</u>
0	0	8,066,211	0	8,066,211	0	8,066,211
1,978,022	0	0	0	1,978,022	0	1,978,022
8,279	0	0	0	8,279	0	8,279
134,951	0	0	0	134,951	0	134,951
(776,098)	0	0	0	(776,098)	0	(776,098)
0	0	0	0	1,325,071	0	1,325,071
0	64,075	0	0	(1,976,701)	60,804	(1,915,897)
<u>1,345,154</u>	<u>64,075</u>	<u>8,066,211</u>	<u>0</u>	<u>8,759,735</u>	<u>60,804</u>	<u>8,820,539</u>
<u>\$3,661,184</u>	<u>\$76,639</u>	<u>\$8,066,211</u>	<u>\$916,001</u>	<u>\$21,358,615</u>	<u>\$60,804</u>	<u>\$21,419,419</u>

**CITY OF MONROE, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types				Fiduciary	Totals	Component Unit	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Primary Government (Memorandum Only)		Reporting Entity (Memorandum Only)
<b>Revenues</b>								
Property Taxes	\$463,220	\$921,475	\$500	\$0	\$0	\$1,385,205	\$0	\$1,385,205
Income Taxes	1,821,890	0	0	0	0	1,821,890	0	1,821,890
Charges for Services	3,415	0	0	0	0	3,415	72,518	75,933
Fines, Licenses and Permits	177,980	487	0	22,300	0	200,967	0	200,967
Intergovernmental	465,343	330,606	0	0	0	795,949	1,183,102	1,979,051
Special Assessments	0	36,181	101,632	0	0	137,813	0	137,813
Interest	134,293	28	8,636	11,321	5,363	159,641	1,451	161,092
Net Increase in the Fair Value of Investments	38,479	0	0	0	0	38,479	0	38,479
Other	37,657	170,467	0	12,231	306	220,661	20,096	240,757
<b>Total Revenues</b>	<b>3,142,287</b>	<b>1,459,244</b>	<b>110,768</b>	<b>46,052</b>	<b>5,669</b>	<b>4,764,020</b>	<b>1,277,167</b>	<b>6,041,187</b>
<b>Expenditures</b>								
Current:								
General Government	868,314	0	0	0	0	868,314	0	868,314
Security of Persons and Property	133,954	2,304,530	0	0	0	2,438,484	1,111,482	3,549,966
Public Health and Welfare	33,247	0	0	0	88	33,335	0	33,335
Transportation	297,266	882,809	0	0	0	1,180,075	0	1,180,075
Leisure Time Activities	46,537	0	0	0	0	46,537	0	46,537
Capital Outlay	15,985	0	0	2,152,997	0	2,168,982	72,099	2,241,081
Debt Service:								
Principal Retirement	0	32,200	45,000	0	0	77,200	30,000	107,200
Interest and Fiscal Charges	0	14,592	54,537	707,684	0	776,813	5,208	782,021
<b>Total Expenditures</b>	<b>1,395,303</b>	<b>3,234,131</b>	<b>99,537</b>	<b>7,860,681</b>	<b>88</b>	<b>7,589,740</b>	<b>1,218,789</b>	<b>8,808,529</b>
Excess of Revenues Over (Under) Expenditures	1,746,984	(1,774,887)	11,231	(2,814,629)	5,581	(2,835,720)	58,378	(2,767,342)
<b>Other Financing Sources (Uses)</b>								
Sale of Fixed Assets	1,868	0	0	0	0	1,868	0	1,868
Operating Transfers - In	0	1,190,000	100,754	77,553	0	1,368,307	0	1,368,307
Operating Transfers - Out	(1,279,553)	(0)	(0)	(100,754)	(0)	(1,380,307)	(0)	(1,380,307)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,277,685)</b>	<b>1,190,000</b>	<b>100,754</b>	<b>(23,201)</b>	<b>0</b>	<b>(10,132)</b>	<b>0</b>	<b>(10,132)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	469,299	(584,887)	111,985	(2,837,830)	5,581	(2,835,852)	58,378	(2,777,474)
<b>Fund Balances (Deficits) at Beginning of Year - Restated</b>	<b>2,137,090</b>	<b>384,080</b>	<b>619,988</b>	<b>(1,015,430)</b>	<b>58,494</b>	<b>2,184,222</b>	<b>2,426</b>	<b>2,186,648</b>
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$2,606,389</b>	<b>(\$200,807)</b>	<b>\$731,973</b>	<b>(\$3,853,260)</b>	<b>\$64,075</b>	<b>(\$651,630)</b>	<b>\$60,804</b>	<b>(\$590,826)</b>

See notes to combined general-purpose financial statements

**CITY OF MONROE, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Property Taxes	\$330,000	\$439,116	\$109,116	\$890,000	\$921,475	\$31,475
Income Taxes	1,500,000	1,815,017	315,017	0	0	0
Charges for Services	3,000	3,415	415	0	0	0
Fines, Licenses and Permits	150,000	169,124	19,124	750	487	(263)
Intergovernmental	571,726	416,866	(154,860)	356,885	325,623	(31,262)
Special Assessments	0	0	0	37,500	36,181	(1,319)
Interest	100,000	147,798	47,798	0	28	28
Other	22,650	37,406	14,756	286,965	163,639	(123,326)
<b>Total Revenues</b>	<b>2,677,376</b>	<b>3,028,742</b>	<b>351,366</b>	<b>1,572,100</b>	<b>1,447,433</b>	<b>(124,667)</b>
<b>Expenditures</b>						
<b>Current</b>						
General Government	1,078,940	921,790	157,150	0	0	0
Security of Persons and Property	196,000	186,324	9,676	2,447,781	2,338,152	109,629
Public Health and Welfare	36,500	34,814	1,686	0	0	0
Transportation	322,300	314,340	7,960	1,076,262	906,276	169,986
Leisure Time Activities	89,745	48,460	41,285	0	0	0
Capital Outlay	314,560	103,103	211,457	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	32,200	32,200	0
Interest and Fiscal Charges	0	0	0	4,129	4,129	0
<b>Total Expenditures</b>	<b>2,038,045</b>	<b>1,608,831</b>	<b>429,214</b>	<b>3,560,372</b>	<b>3,280,757</b>	<b>279,615</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>639,331</b>	<b>1,419,911</b>	<b>780,580</b>	<b>(1,988,272)</b>	<b>(1,833,324)</b>	<b>154,948</b>
<b>Other Financing Sources (Uses)</b>						
Sale of Fixed Assets	0	1,868	1,868	0	0	0
Proceeds From Sale of Notes	0	0	0	600,000	600,000	0
Operating Transfers - In	0	0	0	950,000	1,190,000	240,000
Operating Transfers - Out	(1,422,500)	(1,279,553)	142,947	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(1,422,500)</b>	<b>(1,277,685)</b>	<b>144,815</b>	<b>1,550,000</b>	<b>1,790,000</b>	<b>240,000</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(783,169)</b>	<b>142,226</b>	<b>925,395</b>	<b>(438,272)</b>	<b>(43,324)</b>	<b>394,948</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,490,497</b>	<b>1,490,497</b>	<b>0</b>	<b>346,880</b>	<b>346,880</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>121,392</b>	<b>121,392</b>	<b>0</b>	<b>69,922</b>	<b>69,922</b>	<b>0</b>
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$828,720</b>	<b>\$1,754,115</b>	<b>\$925,395</b>	<b>(\$21,470)</b>	<b>\$373,478</b>	<b>\$394,948</b>

See notes to combined general-purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$500	\$500	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	19,000	22,200	3,200	0	0	0
0	11	11	0	0	0	0	0	0
116,000	101,621	(14,379)	0	0	0	0	0	0
5,000	6,974	1,974	0	0	0	2,500	2,500	0
0	0	0	0	130,644	130,644	0	306	306
121,000	109,106	(11,894)	19,000	152,844	133,844	2,500	2,806	306
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	7,600	88	7,512
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	3,508,223	3,325,103	183,120	0	0	0
105,250	95,417	9,833	1,300,000	1,300,000	0	0	0	0
877,956	818,844	59,112	56,360	56,360	0	0	0	0
983,206	914,261	68,945	4,864,583	4,681,463	183,120	7,600	88	7,512
(862,206)	(805,155)	57,051	(4,845,583)	(4,528,619)	316,964	(5,100)	2,718	7,818
0	0	0	0	0	0	0	0	0
0	738,000	738,000	4,200,000	4,300,000	100,000	0	0	0
130,000	131,214	1,214	0	77,553	77,553	0	0	0
0	0	0	0	0	0	0	0	0
130,000	869,214	739,214	4,200,000	4,377,553	177,553	0	0	0
(732,206)	64,059	796,265	(645,583)	(151,066)	494,517	(5,100)	2,718	7,818
18,648	18,648	0	208,076	208,076	0	58,494	58,494	0
0	0	0	218,083	218,083	0	0	0	0
(\$713,558)	\$82,707	\$796,265	(\$219,424)	\$275,093	\$494,517	\$53,394	\$61,212	\$7,818

**CITY OF MONROE, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND EQUITY  
 ALL ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Enterprise
Operating Revenues:	
Charges for Services	\$1,765,882
Sales	6,850
Other Operating Revenues	38,039
Total Operating Revenues	1,810,771
Operating Expenses:	
Personal Services	253,044
Contractual Services	1,129,005
Materials and Supplies	87,943
Cost of Goods Sold	4,974
Depreciation	106,866
Total Operating Expenses	1,581,832
Operating Income	228,939
Non-Operating Revenues (Expenses):	
Interest and Fiscal Charges	(124,943)
Interest Revenue	8,914
Total Non-Operating Expenses	(116,029)
Income Before Operating Transfers	112,910
Operating Transfers - In	12,000
Net Income	124,910
Accumulated Deficit at Beginning of Year - Restated	(757,778)
Accumulated Deficit at End of Year	(632,868)
Contributed Capital at Beginning and End of Year	1,978,022
Total Fund Equity at End of Year	\$1,345,154

See notes to combined general-purpose financial statements

**CITY OF MONROE, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)**  
**ALL ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

	Revised Budget	Actual	Favorable (Unfavorable)
<b>Revenues</b>			
Charges for Services	\$1,673,971	\$1,678,801	\$4,830
Interest	1,050	1,679	629
Sales	6,850	6,850	0
Other Operating Revenues	37,729	37,797	68
Proceeds of Notes	700,000	700,000	0
Total Revenues	<u>2,419,600</u>	<u>2,425,127</u>	<u>5,527</u>
<b>Expenses</b>			
Personal Services	274,067	256,037	18,030
Contractual Services	1,342,170	1,255,071	87,099
Materials and Supplies	228,269	80,524	147,745
Capital Outlay	317,900	64,253	253,647
Other Non-Operating Expenses	500	0	500
Debt Service:			
Principal Retirement	600,000	600,000	0
Interest and Fiscal Charges	24,300	24,300	0
Total Expenses	<u>2,787,206</u>	<u>2,280,185</u>	<u>507,021</u>
Excess of Revenues Over (Under) Expenses	(367,606)	144,942	512,548
Operating Transfers - In	13,000	12,000	(1,000)
Operating Transfers - Out	(135,000)	(131,214)	3,786
Excess of Revenues and Transfers Over (Under) Expenses and Transfers	(489,606)	25,728	515,334
Fund Equity Beginning of Year	405,536	405,536	0
Prior Year Encumbrances Appropriated	148,356	148,356	0
Fund Equity at End of Year	<u>\$64,286</u>	<u>\$579,620</u>	<u>\$515,334</u>

See notes to combined general-purpose financial statements

**CITY OF MONROE, OHIO  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Enterprise
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$1,684,866
Cash Paid for Employee Services and Benefits	(256,037)
Cash Paid to Suppliers for Goods and Services	(1,326,258)
Other Operating Revenues	37,797
Net Cash Provided By Operating Activities	140,368
<b>Cash Flows from Noncapital Financing Activity -Operating Transfers-In From Other Funds</b>	12,000
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds of General Obligation Notes Payable	700,000
Acquisition of Capital Assets	(56,211)
Interest Paid on General Obligation Notes Payable	(24,300)
Principal Paid on General Obligation Notes Payable	(600,000)
Interest Paid on Mortgage Revenue Bonds Payable	(84,606)
Principal Paid on Mortgage Revenue Bonds Payable	(55,000)
Net Cash Used for Capital and Related Financing Activities	(120,117)
<b>Cash Flows from Investing Activity - Interest and Dividends</b>	8,807
Net Increase in Cash and Cash Equivalents	41,058
Cash and Cash Equivalents at Beginning of Year	707,472
Cash and Cash Equivalents at End of Year	\$748,530

See notes to combined general-purpose financial statements

**CITY OF MONROE, OHIO  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Enterprise
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$228,939
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>	
Depreciation Expense	106,866
(Increase) in Accounts Receivable	(79,022)
(Decrease) in Accounts Payable	(221,832)
(Decrease) in Accrued Wages and Benefits	(8,559)
(Decrease) in Compensated Absences Payable	(814)
Increase in Due to Other Governments	114,790
Total Adjustments	(88,571)
Net Cash Provided By Operating Activities	\$140,368

See notes to combined general-purpose financial statements



# CITY OF MONROE

## Notes to Combined General-Purpose Financial Statements

### Note 1 — Reporting Entity and Basis of Presentation

The City of Monroe is a home rule municipal corporation organized under the laws of the State of Ohio. The City operates under its own charter. The current Charter, which provides for a Council/Manager form of government, was adopted in 1984. The seven-member Council is elected to four-year terms. Annually, the Council selects one of its members to serve as Mayor. The Council appoints the City Manager, Finance Director and Law Director.

#### The Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

The primary government of the City consists of all funds and departments that are not legally separate from the City. They provide various services including a police force, a fire fighting force, street maintenance and repair force, planning and zoning departments, a parks and recreation system, a water and sewer system, a contracting service for trash collection, a community development department, and a staff to provide essential support to these service providers. The Council and the City Manager have direct responsibility for these activities.

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 debts of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes.

The City has included, as a discretely presented component unit, the Monroe Volunteer Firemen's Association (Association). The Association is financially dependent upon the City because the Finance Director approves the Association's budget. The City makes substantial contributions to the Association (see Note 13). Further disclosures for the component unit can be found in Note 25.

The Monroe Municipal Court has been included in the City's financial statements as an agency fund. The clerk of court has a fiduciary responsibility for the collection and distribution of the court fees and fines.

The City is also associated with the following jointly governed organizations: The Center for Local Governments and the Ohio-Kentucky-Indiana Regional Council of Governments, which are presented in Note 21 to the combined general-purpose financial statements. The City is also a member of an insurance purchasing pool, the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan, which is presented in Note 22 to the combined general-purpose financial statements.

#### 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.

## **CITY OF MONROE**

### **Notes to Combined General-Purpose Financial Statements**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group 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.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories: governmental, proprietary and fiduciary.

#### **Governmental Funds**

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

##### *General Fund*

This fund is the operating fund of the City and 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 general laws of Ohio and the Charter of the City.

##### *Special Revenue Funds*

These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

##### *Debt Service Fund*

This fund is used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal, interest and related assets.

##### *Capital Projects Funds*

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

#### **Proprietary Funds**

The proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector. The following is the City's proprietary fund type:

##### *Enterprise Funds*

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

## **CITY OF MONROE**

### **Notes to Combined General-Purpose Financial Statements**

#### **Fiduciary Funds**

Fiduciary 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's fiduciary funds include expendable trust and agency funds. The expendable trust funds are accounted for in essentially the same manner as governmental 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 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*

This account group is used to account for all general fixed assets of the City, other than those accounted for in proprietary or trust funds.

##### *General Long-Term Obligations Account Group*

This account group is used to account for all unmatured general long-term indebtedness of the City that is not a specific liability of the proprietary funds, including special assessment debt for which the City is obligated in some manner.

#### **Note 2 — Summary of Significant Accounting Policies**

The financial statements of the City of Monroe 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 reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

#### **Measurement Focus and Basis of Accounting**

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

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

## **CITY OF MONROE**

### **Notes to Combined General-Purpose Financial Statements**

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, state-levied locally shared taxes (including gasoline tax), fines, licenses and permits, amounts due from other funds for goods or services, and income tax withholdings by employers.

The City reports deferred revenue in its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1998, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside the available period, the entire amount has been deferred.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and become measurable and expenses are recognized at the time liabilities are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year-end.

#### **Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level (personal services and other expenditures) within each department. Budgetary modifications may only be made by resolution of the City Council.

## **CITY OF MONROE**

### **Notes to Combined General-Purpose Financial Statements**

#### *Tax Budget*

A tax budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

#### *Estimated Resources*

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue to be collected is greater or less than the current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 1998.

#### *Appropriations*

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year. During the year several supplemental appropriation measures were passed. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

#### *Encumbrances*

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures and encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and are reported in the notes to the financial statements for proprietary funds.

#### *Lapsing of Appropriations*

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

## **CITY OF MONROE**

### **Notes to Combined General-Purpose Financial Statements**

#### **Cash and Cash Equivalents**

Cash balances of the City's funds, except cash held by a trustee or fiscal agent and specific fund investments, are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts are reported at cost or amortized cost. For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less and funds within the cash management pool are considered to be cash equivalents. The City's Municipal Court has its own checking accounts for collection and distribution of court fines and forfeitures, which are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts." During 1998, investments were limited to donated commercial stock, STAR Ohio; certificates of deposit; City owned debt issues; and money market mutual funds.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 1998.

Interest revenue credited to the general fund, street special revenue fund, debt service fund, capital improvement capital projects fund, cemetery trust fund, and the water and cemetery enterprise funds during 1998 amounted to \$134,293, \$28, \$8,636, \$11,321, \$5,363, \$7,128 and \$1,786, respectively, which includes \$35,819 in the general fund, which was assigned from other City funds.

#### **Restricted Assets**

Restricted assets in the enterprise funds represent investments with a fiscal agent, which have been set aside to satisfy bond indenture requirements for current and future debt payments, and cash and cash equivalents set aside for replacement and improvement of fixed assets originally acquired with bond proceeds.

#### **Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet.

#### **Fixed Assets and Depreciation**

General fixed assets (assets used in the general operations of the City) 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. Fund fixed assets are assets used in providing services accounted for in proprietary funds. They are accounted for within the proprietary funds.

All purchased fixed assets are valued at cost when historical records are available and estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. An improvement to a fund fixed asset is depreciated over the remaining useful life of the related asset.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs, gutters, sidewalks, and drainage systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Depreciation of fund fixed assets is computed using the straight-line method over the following useful lives:

	<b>Years</b>
Land improvement	20
Infrastructure	45
Buildings	50
Equipment	10—15
Furniture	20
Vehicles	8

**Compensated Absences**

The City follows the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences." Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City makes no payments for accrued sick leave to any employee leaving service with the City. Sick leave benefits are not accrued as a liability.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. This amount is recorded as a fund liability, while the balance of the liability is recorded in the general long-term obligations account group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

**Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds. Long-term liabilities are being repaid from the following funds:

<b>Obligation</b>	<b>Fund</b>
General Obligation Bonds	Fire 1989 Levy Fund, Debt Service Fund
Special Assessment Bonds	Debt Service Fund
Compensated Absences and Pension Obligation	Will be paid by the fund from which the employee's salary is paid
Mortgage Revenue Bonds	Are being paid from the Water Fund, which utilized the proceeds of the debt

**Capitalization of Interest**

The City's policy is to capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 1998, interest costs incurred on construction projects in proprietary funds were not material.

**Contributed Capital**

Contributed capital represents resources from other funds, federal and state grants, other governments, and private sources provided to the City's proprietary funds which are not subject to repayment. There were no changes in contributed capital during the year.

Because the City had not prepared its financial statements in accordance with generally accepted accounting principles in years prior to 1996, the exact amount of contributed capital at December 31, 1998, cannot be determined. Only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds are classified as retained earnings.

**Reservations of Fund Equity**

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances. Retained earnings are reserved for revenue bond replacement and improvement.

**Accounting Estimates**

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

**Intergovernmental Revenues**

In governmental funds, grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the related expenditures are made.



## **CITY OF MONROE**

### **Notes to Combined General-Purpose Financial Statements**

Grants received for proprietary fund operations are recognized as revenues when measurable and earned. Such resources restricted for the construction of capital assets are recorded as contributed capital.

#### **Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as operating transfers.

#### **Total Columns on Combined General-Purpose Financial Statements**

Total columns on the Combined General-Purpose Financial Statements — Overview are captioned "Totals — Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

When the title of a statement indicates that component units are included, two columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the City's legal entity have been included. The second is captioned "Reporting Entity" and includes the activities and operations of the City's legally separate discretely presented component unit. The total column on the statements which do not include component units have no additional caption.

### **Note 3 — Budget to GAAP Reconciliation**

#### **Budgetary Basis of Accounting**

While reporting financial position, results of operations, and changes in fund balance and retained earnings on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual (Budget Basis) — All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity — Budget and Actual (Budget Basis) — All Enterprise Funds 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 that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure for proprietary fund types (GAAP basis).

**CITY OF MONROE**

**Notes to Combined General-Purpose Financial Statements**

4. For Enterprise Funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. For proprietary funds, proceeds from and principal payments on debt, and the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

**Excess of Revenues and  
Other Financing Sources Over (Under)  
Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Funds**

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$469,299	\$(584,887)	\$111,985	\$(2,837,830)	\$5,581
Adjustments:					
Revenue Accruals	(113,545)	(11,811)	28,998	207,546	(2,863)
Expenditure Accruals	(111,477)	9,537	(4,659)	65,028	
Encumbrances	(102,051)	(56,163)	(48,701)	(1,223,056)	
Reallocation of debt service requirements			(124,318)		
Reallocation of fiscal charges			(637,246)	637,246	
Debt retirement				(1,300,000)	
Debt proceeds		600,000	738,000	4,300,000	
Budget basis	<u>\$142,226</u>	<u>\$ (43,324)</u>	<u>\$ 64,059</u>	<u>\$ (151,066)</u>	<u>\$2,718</u>

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

**Net Income/Excess of Revenues Over  
Expenses and Operating Transfers  
Proprietary Fund Type**

	<u>Enterprise</u>
GAAP Basis	\$124,910
Adjustments:	
Revenue Accruals	(94,558)
Expense Accruals	(131,004)
Encumbrances	(17,379)
Operating Transfers	(131,214)
Capital Outlay	(56,211)
Proceeds of Notes	700,000
Reallocation of Debt	
Service Requirements	124,318
Debt Retirement	(600,000)
Depreciation	106,866
	<u>                    </u>
Budget Basis	<u><u>\$25,728</u></u>

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

**Note 4 — Compliance and Accountability**

**Statutory Compliance**

The following funds had appropriations in excess of estimated resources plus available balances for the year ended December 31, 1998:

Fund Type/Fund	Amount
Special Revenue Funds:	
Fire Operation and Maintenance	\$98,008
Fire 1989 Levy	86,524
Police Law Enforcement	22,882
Debt Service Fund	713,558

Fund Type/Fund	Amount
Capital Project Funds:	
Park Improvement	\$39,136
Capital Improvement	180,288
Enterprise Funds:	
Sewer	19,782

**Fund Deficits**

Fund Type/Name	Fund Deficit
Special Revenue Fund:	
Street	\$484,149
Capital Projects Fund:	
Capital Improvement	3,698,469

The deficits resulted from the issuance of short-term bond anticipation notes which are used to finance projects until bonds are issued. The deficit will be eliminated when long-term bonds are issued.

## **CITY OF MONROE**

### **Notes to Combined General-Purpose Financial Statements**

#### **Note 5 — Deposits and Investments**

##### **Policies and Procedures**

State statutes classify monies held by the City into three categories.

Active deposits 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.

Inactive deposits 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.

Interim deposits are deposits of interim monies. Interim monies 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The City may deposit or invest interim monies in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bond, notes, debentures, or any other obligations or securities issued by the 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;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this section are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

*Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.*

**Deposits**

At year-end, the carrying amount of the City's deposits was \$2,270,333 and the bank balance was \$2,837,876. Of the bank balance, \$215,000 was covered by federal deposit insurance. The remainder of the deposits was not insured or collateralized. (Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.)

**Investments**

GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the City's investments be classified in categories of risk. The City's investments are categorized as either (1) insured or registered for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name, or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Money Market Mutual Fund and STAR Ohio investments are unclassified since they are not evidenced by securities that exist in physical or book entry form.

	<b>Category 1</b>	<b>Unclassified</b>	<b>Fair Value</b>
STAR Ohio	\$ 0	\$2,359,431	\$2,359,431
First Financial Common Stock	234,741	0	234,741
Armco Common Stock	4,358	0	4,358
City owned debt issues	581,662	0	581,662
Money Market Mutual Fund	0	143,230	143,230
<b>Total</b>	<b>\$820,761</b>	<b>\$2,502,661</b>	<b>\$3,323,422</b>

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$4,724,985	\$ 868,770
Investments:		
STAR Ohio	(2,359,431)	2,359,431
Certificate of Deposit	48,009	(48,009)
Money Market Mutual Fund	(143,230)	143,230
GASB Statement No. 3	<u>\$2,270,333</u>	<u>\$3,323,422</u>

**Note 6 — Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1996. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20 unless extended.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at 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 assessed valuation. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

## CITY OF MONROE

### Notes to Combined General-Purpose Financial Statements

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Monroe. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 1998, was \$10.17 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1998 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property Tax	\$70,376,710
Tangible Personal Property	34,214,948
Public Utility Tangible Personal Property	60,082,308
Totals	<u>\$164,673,966</u>

#### Note 7 — Income Tax

The City levies a municipal income tax of one percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 1998, the proceeds were allocated to the General Fund. Income tax revenue for 1998 was \$1,821,890.



**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

**Note 8 — Receivables**

Receivables at December 31, 1998, consisted of taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, interest on investments, and utility accounts. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

	<u>Amount</u>
<b>GENERAL</b>	
Local Government	\$ 43,049
Estate Tax	59,295
Total General Fund	<u>102,344</u>
 <b>SPECIAL REVENUE</b>	
<u>Street Fund</u>	
Auto Registration Tax	2,331
Street Maintenance for Lemon Township	100
Gas Tax	6,597
Local Government	6,446
Total Street Fund	<u>15,474</u>
 <u>State Highway Fund</u>	
Auto Registration Tax	189
Gas Tax	266
Local Government	561
Total State Highway Fund	<u>1,016</u>
 <u>Police Fund</u>	
Service for Lemon Township	<u>6,000</u>
 <u>Permissive Tax Fund</u>	
Permissive Tax	<u>2,562</u>
Total Special Revenue	<u>25,052</u>
Total All Funds	<u>\$127,396</u>

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

**Note 9 — Fixed Assets**

Changes in general fixed assets during the year ended December 31, 1998, were as follows:

<b>Class</b>	<b>Restated Balance December 31, 1997</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 1998</b>
Land and Improvements	\$ 660,059	\$ 319,960	\$ 0	\$ 980,019
Buildings	2,245,800	45,500	394,800	1,896,500
Vehicles, Furniture and Equipment	967,859	88,832	0	1,056,691
Construction in Progress	1,083,499	3,049,502	0	4,133,001
<b>Totals</b>	<b>\$4,957,217</b>	<b>\$3,503,794</b>	<b>\$394,800</b>	<b>\$8,066,211</b>

Fixed asset balances for Enterprise Funds as of December 31, 1998, were as follows:

<b>Class</b>	<b>Restated Balance December 31, 1997</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 1998</b>
Land Improvements	\$ 417,962	\$ 0	\$0	\$ 417,962
Infrastructure	1,913,762	46,385	0	1,960,147
Buildings	514,000	0	0	514,000
Vehicles, Furniture and Equipment	1,342,100	9,826	0	1,351,926
<b>Sub-total</b>	<b>4,187,824</b>	<b>56,211</b>	<b>0</b>	<b>4,244,035</b>
Accumulated Depreciation	(1,443,309)	(106,866)	0	(1,550,175)
<b>Total</b>	<b>\$2,744,515</b>	<b>\$(50,655)</b>	<b>\$0</b>	<b>\$2,693,860</b>

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

**Note 10 — Defined Benefit Pension Plans**

**Public Employees Retirement System**

The City participates in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple public employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-8025 or 1-800-222-PERS (7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 1998, 1997, and 1996 were \$125,401, \$114,012, and \$90,107, respectively. The full amount has been contributed for 1997 and 1996. 94 percent has been contributed for 1998 with the remainder being reported as a liability within the respective funds.

**Police and Firemen's Disability and Pension Fund**

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (Fund), a cost sharing multiple employer public employee retirement system administered by the Fund's Board of Trustees. The Fund provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The fund issues a publicly available financial report that includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Police and Fireman's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Police are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 1998, 1997, and 1996 were \$83,567, \$63,993, and \$87,517, respectively. The full amount has been contributed for 1997 and 1996. 95 percent has been contributed for 1998 with the remainder being reported as a liability within the respective funds.

**Note 11 — Other Employee Benefits**

**Compensated Absences**

*Accumulated Unpaid Sick Leave*

City salaried employees earn sick leave at the rate of one day for each full month of employment with the City. City hourly employees earn three days of sick leave after six months of employment and an additional four days on the first of the calendar year following the six-month period. Each year the hourly employees receive seven days of sick leave. Unused sick leave cannot be converted into compensation for any reason.

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

*Accumulated Unpaid Vacation*

City employees earn vacation leave at varying rates based upon length of service. The City employees earn one week of vacation after six months of employment. On January 1 following the completion of the six-month probation, an additional week of vacation is earned. The employee earns two weeks for years two through nine, three weeks for years ten through nineteen and four weeks for twenty or more years. There are no maximum vacation days that can be accrued. Upon departure from City employment, an employee (or his or her estate) will be paid for unused vacation leave.

The total obligation for compensated absences for the City as a whole as of December 31, 1998, was \$3,068.

**Health Care Benefits**

The City provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. The City has elected to provide employee medical/surgical benefits through MacDonald Insurance Agency. Some employees share the cost of the dismemberment monthly premium with the City; although, the City pays the full premium on all other benefit premiums. The premium varies with employee depending on the terms of the union contract. Dental insurance is provided by the City to all employees through MacDonald Insurance Agency.

**Note 12 — Post Employment Benefits**

**Public Employees Retirement System (PERS)**

The Public Employees Retirement System of Ohio (PERS) provides post retirement 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 retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care based on authority granted by State statute. The 1998 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for 1998.

For 1998, benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health 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. During 1998, OPEB expenditures made by PERS were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 115,579. The City's actual contributions for 1998 which were used to fund OPEB were \$56,330.

**Police and Firemen's Disability and Pension Fund**

The Police and Firemen's Disability and Pension Fund (Fund) 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.

## CITY OF MONROE

### Notes to Combined General-Purpose Financial Statements

The health care coverage provided by the retirement system is considered an OPEB as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's Board of Trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll, of which the board defined 6.5 percent of covered payroll, is applied to the postemployment health care program. 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 was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1998 that were used to fund postemployment benefits were \$41,780 for police. The Fund's total health care expenses for the year ended December 31, 1998, were \$78,596,790.

#### Note 13 — Related Party Transactions

The Monroe Volunteer Firemen's Association, a discretely presented component unit, received monies from the City and Lemon Township for general operating expenses. In 1998, these contributions amount to \$1,083,102 from the City and \$55,000 from Lemon Township.

#### Note 14 — Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and, injuries to employees and natural disasters. During 1998, the City contracted with MacDonald Insurance Agency for vehicle, property, equipment and machinery, police and professional and general liability insurance.

Equipment and machinery hold a \$1,000 deductible. Vehicle deductible levels vary with vehicles while property and general liability deductibles range from \$1,000 to \$2,000. The City carries a \$5,000 deductible for both police and professional liability insurance.

Coverage provided by the insurance agency follows:

Public Official Liability	\$1,000,000
Police Professional Liability	1,000,000
Equipment and Machinery	100,000
Disability Liability	1,000,000
Uninsured Motorists Bodily Injury	100,000
Fire Damage Liability per occurrence	100,000
Medical Expense Liability per person	5,000
Comprehensive General Liability each occurrence	1,000,000
General Aggregate	1,000,000

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant decline in the level of coverage from the prior year.

The City participates in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (see Note 22).

**Note 15 — Long-Term Obligations**

Long-term obligations at December 31, 1998, were as follows:

<b>Special Assessment Bonds</b>	<b>Balance December 31, 1997</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance December 31, 1998</b>
6.70% 1991 Waterline Extension I	\$ 435,000	\$ 0	\$ 20,000	\$ 415,000
6.61% 1997 Waterline Extension II	152,700	0	5,000	147,700
5.625% 1998 Garver Road	180,000	0	15,000	165,000
5.25% — 5.75% 19993 American Way	123,000	0	5,000	118,000
<b>TOTAL — Special Assessment Bonds</b>	<b>890,700</b>	<b>0</b>	<b>45,000</b>	<b>845,700</b>
<b>General Obligation Bonds (Unvoted)</b>				
4.75% 1997 Life Squad	100,000	0	32,200	67,800
Compensated Absences	3,647	0	1,146	2,501
<b>TOTAL — General Long-Term Obligations</b>	<b>994,347</b>	<b>0</b>	<b>78,346</b>	<b>916,001</b>
3.45% — 6.50% 1992 Mortgage Revenue Bonds	1,250,000	0	55,000	1,195,000
Compensated Absences	0	567	0	567
<b>TOTAL — Enterprise Funds</b>	<b>1,250,000</b>	<b>567</b>	<b>55,000</b>	<b>1,195,567</b>
<b>TOTAL — All Types</b>	<b>\$2,244,347</b>	<b>\$567</b>	<b>\$133,346</b>	<b>\$2,111,568</b>

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

The special assessment bond issues are backed by the full faith and credit of the City. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt.

The unvoted general obligation bond issue for the Life Squad will be paid from property taxes.

The Mortgage Revenue bonds will be paid from the Water fund revenues.

The Enterprise Fund's related bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for fees to customers be in sufficient amounts, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties in good condition.

The compensated absences will be paid from the fund from which the employees' salaries are paid.

As of December 31, 1998, the City's legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$11,584,966 for total debt and \$3,351,268 for unvoted debt. Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 1998 are:

<b>Year</b>	<b>Special Assessments Bonds</b>	<b>General Obligation Bonds</b>	<b>Mortgage Revenue Bonds</b>	<b>Total</b>
1999	\$99,799	\$36,848	\$130,693	\$267,340
2000	98,067	35,838	132,938	266,843
2001	100,266	0	134,518	234,784
2002	97,115	0	130,682	227,797
2003	94,599	0	131,750	226,349
2004-08	487,144	0	659,000	1,146,144
2009-13	270,811	0	531,050	801,861
2014-16	38,045	0	0	38,045
<b>Total</b>	<b>\$1,285,846</b>	<b>\$72,686</b>	<b>\$1,850,631</b>	<b>\$3,209,163</b>

# CITY OF MONROE

## Notes to Combined General-Purpose Financial Statements

### Note 16 — Defeasance of General Obligation Bonds

Effective June 1, 1982, the City entered into an Escrow Trust Agreement with First National Trust Company. The agreement provided for the deposit by the City of \$100,000 into an irrevocable trust with the bank for the payment to final maturity of outstanding General Obligation Bonds. The funds deposited, together with interest earned thereon, shall be sufficient to pay annual bond principal and semiannual interest payments, thus providing an in-substance defeasance. As of December 31, 1998, the principal remaining was \$14,000.

### Note 17 — Short-Term Obligations

A summary of the short-term note transactions for the year ended December 31, 1998, follows:

<b>Fund Type</b>	<b>Balance December 31, 1997</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance December 31, 1998</b>
Special Revenue	\$ 0	\$ 600,000	\$ 0	\$ 600,000
Capital Projects	1,300,000	5,038,000	1,300,000	5,038,000
Enterprise	600,000	700,000	600,000	700,000
<b>Total</b>	<b>\$1,900,000</b>	<b>\$6,338,000</b>	<b>\$1,900,000</b>	<b>\$6,338,000</b>



**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

Short-term notes outstanding at year-end consisted of the following issues:

Issue	Principal Outstanding	Annualized Rate
<b>SPECIAL REVENUE</b>		
Road Improvement	\$600,000	5.00%
<b>CAPITAL PROJECTS</b>		
Mount Pleasant Special Assessment	738,000	5.00
Fire Station	900,000	4.38
Service Building	400,000	4.24
Municipal Building	3,000,000	5.00
Total Capital Projects	5,038,000	
<b>ENTERPRISE</b>		
Water System Improvements	700,000	4.05
Total	<u>\$6,338,000</u>	

These notes are generally issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the City and mature within one year.

**Note 18 — Interfund Receivables and Payables**

Interfund asset and liability balances at December 31, 1998, were as follows:

**Due from/to Other Funds**

	Receivable	Payable
General Fund	\$247,917	\$ 0
Water Fund	0	240,000
Municipal Court Agency Fund	0	7,917
Total	<u>\$247,917</u>	<u>\$247,917</u>

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

**Note 19 — Segment Information**

The City's enterprise funds account for the provision of water, sewer, garbage and cemetery services. Key financial information as of and for the year ended December 31, 1998, for each enterprise fund is as follows:

	Water Fund	Sewer Fund	Garbage Fund	Cemetery Fund	Total
Operating Revenues	\$788,353	\$739,575	\$261,119	\$21,724	\$1,810,771
Operating Expenses less Depreciation Expense	550,488	665,547	237,857	21,074	1,474,966
Depreciation Expense	103,108	0	0	3,758	106,866
Operating Income (Loss)	134,757	74,028	23,262	(3,108)	228,939
Non-Operating Revenues (Expenses)	(117,815)	0	0	1,786	(116,029)
Income (Loss) before Operating Transfers	16,942	74,028	23,262	(1,322)	112,910
Operating Transfers In	2,000	0	0	10,000	12,000
Net Income	\$ 18,942	\$ 74,028	\$ 23,262	\$ 8,678	\$ 124,910
Fixed Asset Additions	\$56,211	\$0	\$0	\$0	\$56,211
Net Working Capital	(425,875)	14,595	47,070	73,604	(290,606)
Total Assets	3,308,149	132,091	65,236	155,708	3,661,184
Bonds and Other Long-Term Liabilities Payable from Revenues	1,195,567	0	0	0	1,195,567
Total Equity	1,128,431	14,595	47,070	155,058	1,345,154
Encumbrances at 12/31/98	13,979	0	3,400	0	17,379

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

**Note 20 — Contractual Commitments**

The City had the following signed contractual commitments as of December 31, 1998:

Cole and Russell Architects	\$14,344
Scioto Industries	58,828
Gebhart Contractors	995,665
Steve Hattersly Plumbing	81,444
Dalmatian Fire	22,603
ESI Electrical Contractors	57,765
Gebhart Contractors	6,751
Industrial Communication	87,118

**Note 21 — Jointly Governed Organizations**

The Center for Local Governments (Center), a jointly governed organization, was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Board of Trustees consists of eight members made up of elected representatives from the participating governments. The City does not have any financial interest in or responsibility for the Center. The City made no financial contribution during the year. Information can be obtained from the Center by writing the Center for Local Governments, 4144 Crossgate Drive, Cincinnati, Ohio 45236.

The City participates in the Ohio-Kentucky-Indiana Regional Council of Governments, a jointly governed organization, (OKI). OKI members include Butler, Clermont and Warren Counties in Ohio, Boone, Campbell and Kenton Counties in Kentucky and Dearborn and Ohio Counties in Indiana. The purpose of OKI is to provide coordinated planning services to the appropriate federal, state and local governments, their political subdivisions, agencies, departments, instrumentalities, and special districts, in connection with the preparation and development of comprehensive and continuing regional transportation and development plans within the OKI Region. OKI also serves as an area wide review agency in conjunction with comprehensive planning within the OKI Region.

OKI contracts periodically for local funds and other support with the governing board of each of the governments who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each county and municipal corporation, one individual selected by each county planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member county. This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI. The City made no financial contribution during the fiscal year. To obtain financial information, write to the Ohio-Kentucky-Indiana Regional Council of Governments at 801-B W. Eighth St., Suite 400, Cincinnati, Ohio, 45203.

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

**Note 22 — Insurance Purchasing Pool**

For 1998, the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings, which is accrued to the Plan through its information. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to cities that can meet the Plan's selection criteria. The firm of Gates McDonald provides administrative, cost control and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

The City may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access less experience for three years following the last year of participation.

**Note 23 — Restatement of Prior Year Balances**

	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>
Fund Balance/Retained Earnings at December 31, 1997	\$1,897,996	\$36,715	\$ (64,333)
Due from Other Governments	38,474	0	0
Accounts Receivable	0	0	29,202
Improper posting of Donated Common Stock	0	0	(54,254)
Fixed asset adjustment to appraisal			(821,973)
Trustee Account improperly recorded	0	(18,067)	0
Donated Common Stock	176,046	0	0
GASB No. 31 (See Note 24)	24,574	0	0
Investments with Fiscal Agents	0	601,340	153,580
Fund Balance/(Accumulated Deficit) at January 1, 1998	<u>\$2,137,090</u>	<u>\$619,988</u>	<u>\$(757,778)</u>

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

The City had not recorded the items listed above properly in prior years. The general fixed assets account group balance at December 31, 1997, was \$3,785,644 before the \$1,171,573 adjustment to restate the balance to \$4,957,217.

**Note 24 — Change in Accounting Principles**

For 1998, the City has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools." The statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value. The implementation of GASB Statement No. 31 had an effect on fund balance/fund equity as it was previously reported as of December 31, 1997 as described in Note 23.

For the year ended December 31, 1998, the City has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through the Ohio Public Employees Deferred Compensation Board. On September 1, 1998, the Ohio Public Employees Deferred Compensation Board created a trust for the assets of the plan for which the City has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

**Note 25 — Discretely Presented Component Unit**

**Basis of Accounting**

The City of Monroe's Firemen Association (Association) prepares its financial statements under the cash basis system of accounting. Under cash basis of accounting, revenues and transfers in are not recorded in the accounts until cash is received, and expenditures and transfers out are recorded only when cash is disbursed.

**Deposits and Investments**

The Association had a bank balance as of December 31, 1998, of \$87,044. The entire bank balance was covered by federal deposit insurance. The Association has no investments at year-end.

**Notes Payable**

The Association has one note that was issued in 1994. The Association receives monies from the City to pay the debt service requirements of the note. The Association paid \$30,000 towards the principal remaining on the obligation during the fiscal year. The principal remaining at December 31, 1998 was \$67,481 at an interest rate of 5.68%.

**Note 26 — Contingent Liabilities**

**Litigation**

The City is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.



**Report on Compliance and on the Internal Control over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards**

City Council  
City of Monroe  
Monroe, Ohio

We have audited the combined general-purpose financial statements of City of Monroe (City), as of and for the year ended December 31, 1998, and have issued our report thereon dated May 12, 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 combined general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of 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*. However, we noted certain immaterial instances of noncompliance which we have reported to the management of the City in Exhibit A.

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 combined general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Olive LLP".

Cincinnati, Ohio  
May 12, 2000

**CITY OF MONROE**  
**Notes to Combined General-Purpose Financial Statements**

**Federal and State Grants**

For the period January 1, 1998 to December 31, 1998, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any would be immaterial.

**EXHIBIT A**

Ohio Revised Code Section 5705.39 prohibits a City from appropriating amounts in excess of estimated resources. The following were in excess for the year.

<u>Fund Type/Fund</u>	<u>Amount</u>
<u>Special Revenue Funds:</u>	
Fire Operation and Maintenance	\$98,008
Fire 1989 Levy	86,524
Police Law Enforcement	22,882
Debt Service Fund	713,558
<u>Capital Project Fund</u>	
Park Improvement	39,136
Capital Improvement	180,288
<u>Enterprise Fund</u>	
Sewer	19,782

Ohio Revised Code Section 5705.416 prohibits a City from operating a fund with a deficit balance. The following funds had deficit balances for the year:

<u>Fund Type/Fund</u>	<u>Amount</u>
<u>Special Revenue Funds:</u>	
Street Fund	\$484,149
<u>Capital Project Fund</u>	
Capital Improvement	3,698,469





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CITY OF MONROE**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**OCTOBER 3, 2000**