



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CITY OF MUNROE FALLS  
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## REPORT OF INDEPENDENT ACCOUNTANTS

City of Munroe Falls  
Summit County  
43 Munroe Falls Avenue  
Munroe Falls, Ohio 44262

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Munroe Falls, Summit County, Ohio, (the City) as of and for the year ended December 31, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Munroe Falls, as of December 31, 1999, 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 July 25, 2000 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

July 25, 2000

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CITY OF MUNROE FALLS  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 December 31, 1999

Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 1,060,884	\$ 620,692	\$ 42,224	\$ 1,032,107
Receivables	387,557	331,886	259,455	124,942
Due from other funds (interfund receivable)	0	0	0	0
Inventory of supplies	16,856	11,718	0	3,740
Prepays	20,293	184	0	1,014
Fixed assets (net, where applicable, of accumulated depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount available in debt service fund for retirement of general L/T obligations	0	0	0	0
Amount to be provided for general L/T obligations from general gov't resources	0	0	0	0
Total Assets and Other Debits	<u>\$ 1,485,590</u>	<u>\$ 964,480</u>	<u>\$ 301,679</u>	<u>\$ 1,161,803</u>
Liabilities, Fund Equity and Other Credits:				
<u>Liabilities:</u>				
Accounts payable	\$ 18,903	\$ 6,840	\$ 35	\$ 8,928
Accrued wages and benefits	58,359	17,600	0	602
Interest payable	0	0	0	14,991
Due to other funds (interfund payable)	0	0	0	0
Deferred revenue	258,364	331,886	259,455	51,306
General obligation bonds payable	0	0	0	0
Total Liabilities	335,626	356,326	259,490	75,827
<u>Fund Equity and Other Credits:</u>				
Investment in general fixed assets	0	0	0	0
Contributed capital	0	0	0	0
Retained earnings:				
Unreserved, undesignated	0	0	0	0
Fund balances:				
Reserved for encumbrances	4,973	17,860	0	159,245
Reserved for inventory	16,856	11,718	0	3,740
Reserved for prepays	20,293	184	0	1,014
Unreserved, undesignated	1,107,842	578,392	42,189	921,977
Total Fund Equity and Other Credits	<u>1,149,964</u>	<u>608,154</u>	<u>42,189</u>	<u>1,085,976</u>
Total Liabilities, Fund Equity & Other Credits	<u>\$ 1,485,590</u>	<u>\$ 964,480</u>	<u>\$ 301,679</u>	<u>\$ 1,161,803</u>

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



Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Totals Memorandum Only
		Enterprise	Expendable Trust	General Fixed Assets	
\$ 860,925	\$ 163,518	\$ 0	\$ 0	\$ 3,780,350	
204,234	120	0	0	1,308,194	
40,000	0	0	0	40,000	
806	0	0	0	33,120	
3,418	1,832	0	0	26,741	
1,912,648	0	5,271,125	0	7,183,773	
0	0	0	42,189	42,189	
0	0	0	2,757,537	2,757,537	
<u>\$ 3,022,031</u>	<u>\$ 165,470</u>	<u>\$ 5,271,125</u>	<u>\$ 2,799,726</u>	<u>\$ 15,171,904</u>	
\$ 14,108	\$ 49,475	\$ 0	\$ 0	\$ 98,289	
22,594	0	0	145,726	244,881	
5,045	0	0	0	20,036	
40,000	0	0	0	40,000	
0	0	0	0	901,011	
965,000	0	0	2,654,000	3,619,000	
1,046,747	49,475	0	2,799,726	4,923,217	
0	0	5,271,125	0	5,271,125	
1,000	0	0	0	1,000	
1,951,915	0	0	0	1,951,915	
18,145	16,037	0	0	216,260	
806	0	0	0	33,120	
3,418	1,832	0	0	26,741	
0	98,126	0	0	2,748,526	
1,975,284	115,995	5,271,125	0	10,248,687	
<u>\$ 3,022,031</u>	<u>\$ 165,470</u>	<u>\$ 5,271,125</u>	<u>\$ 2,799,726</u>	<u>\$ 15,171,904</u>	

CITY OF MUNROE FALLS  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types and Expendable Trust Funds  
 For the Year Ended December 31, 1999

	General	Special Revenue	Debt Service
Revenues:			
Local taxes	\$ 918,155	\$ 237,712	\$ 236,568
Intergovernmental	346,469	265,137	29,685
Charges for services	8,873	0	0
Fines, licences, permits	47,579	343	0
Interest	189,389	13,447	0
Special assessments	0	0	0
Miscellaneous	156	159	0
Total revenues	<u>1,510,621</u>	<u>516,798</u>	<u>266,253</u>
Expenditures:			
Current:			
Security of persons and property	721,929	416,875	0
Public health and welfare	32,417	0	0
Leisure time activities	38,316	0	0
Community environment	49	0	0
Transportation	165,485	224,953	0
General government	560,598	3,381	3,399
Capital outlay	1,723	0	0
Debt Service:			
Redemption of principal	0	0	135,000
Interest	0	0	161,644
Total expenditures:	<u>1,520,517</u>	<u>645,209</u>	<u>300,043</u>
Excess of revenue over (under) expenditures	(9,896)	(128,411)	(33,790)
Other Financing Sources (Uses):			
Note proceeds	0	184,000	0
Transfers-in	1,369,326	0	35,265
Transfers-out	(1,411,420)	0	0
Refund of prior year expenditures	10,289	0	0
Refund of prior year receipt	(15,626)	0	0
Total Other Financing Sources (Uses)	<u>(47,431)</u>	<u>184,000</u>	<u>35,265</u>
Excess of revenue and other financing sources over (under) expenditures and other financing uses	(57,327)	55,589	1,475
Fund Balances at the beginning of the year	<u>1,207,291</u>	<u>552,565</u>	<u>40,714</u>
Fund Balances at the end of the year	<u>\$ 1,149,964</u>	<u>\$ 608,154</u>	<u>\$ 42,189</u>

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

Capital Projects	Expendable Trust	Totals Memorandum Only
\$ 480,970	\$ 0	\$ 1,873,405
0	0	641,291
0	0	8,873
0	0	47,922
0	0	202,836
18,200	0	18,200
0	131,120	131,435
<u>499,170</u>	<u>131,120</u>	<u>2,923,962</u>
58,359	61,170	1,258,333
0	0	32,417
26,707	0	65,023
0	0	49
252,631	0	643,069
109,000	0	676,378
2,877	0	4,600
0	0	135,000
1,300	0	162,944
<u>450,874</u>	<u>61,170</u>	<u>2,977,813</u>
48,296	69,950	(53,851)
0	0	184,000
668,954	504	2,074,049
(662,471)	(35)	(2,073,926)
20,045	155	30,489
(10,417)	11,051	(14,992)
<u>16,111</u>	<u>11,675</u>	<u>199,620</u>
64,407	81,625	145,769
<u>1,021,569</u>	<u>34,370</u>	<u>2,856,509</u>
<u>\$ 1,085,976</u>	<u>\$ 115,995</u>	<u>\$ 3,002,278</u>

CITY OF MUNROE FALLS  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types and Expendable Trust Funds

	General Fund			Special Revenue Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Local taxes	\$ 903,375	\$ 920,089	\$ 16,714	\$ 236,469	\$ 237,713	\$ 1,244
Intergovernmental	288,500	346,469	57,969	180,463	183,128	2,665
Charges for services	6,000	8,873	2,873	66,500	85,356	18,856
Fines, licenses and permits	67,000	47,680	(19,320)	200	343	143
Interest	145,000	167,013	22,013	12,636	13,446	810
Special assessments	0	0	0	0	0	0
Miscellaneous	1,162	434	(728)	200	159	(41)
Total revenues	<u>1,411,037</u>	<u>1,490,558</u>	<u>79,521</u>	<u>496,468</u>	<u>520,145</u>	<u>23,677</u>
Expenditures:						
Current:						
Security of persons & property	827,816	726,400	101,416	505,546	447,567	57,979
Public health & welfare	35,000	32,417	2,583	0	0	0
Leisure time activities	48,459	38,555	9,904	0	0	0
Community development	800	49	751	0	0	0
Transportation	173,877	168,897	4,980	285,124	219,788	65,336
General government	624,875	583,189	41,686	0	0	0
Capital outlay	0	0	0	0	0	0
Debt service:						
Principal retirement	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Total expenditures	<u>1,710,827</u>	<u>1,549,507</u>	<u>161,320</u>	<u>790,670</u>	<u>667,355</u>	<u>123,315</u>
Excess of revenue over (under) expenditures	(299,790)	(58,949)	240,841	(294,202)	(147,210)	(99,638)
Other financing sources (uses):						
Note proceeds	0	0	0	184,000	184,000	0
Operating transfers - in	0	804,426	804,426	0	0	0
Operating transfers - out	98,700	(777,820)	(876,520)	0	0	0
Other financing sources (uses)	0	(9,252)	(9,252)	0	0	0
Total other sources (uses)	<u>98,700</u>	<u>17,354</u>	<u>(81,346)</u>	<u>184,000</u>	<u>184,000</u>	<u>0</u>
Excess of revenue and other financing sources over (under) expenditures and other uses	(201,090)	(41,595)	159,495	(110,202)	36,790	(99,638)
Fund balances at the beginning of year	1,009,575	1,009,575	0	555,209	555,209	0
Prior year encumbrances appropriated	<u>46,503</u>	<u>46,503</u>	<u>0</u>	<u>3,372</u>	<u>3,372</u>	<u>0</u>
Fund balances at end of year	<u>\$ 854,988</u>	<u>\$ 1,014,483</u>	<u>\$ 159,495</u>	<u>\$ 448,379</u>	<u>\$ 595,371</u>	<u>\$ (99,638)</u>

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

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 235,354	\$ 236,568	\$ 1,214	\$ 472,400	\$ 482,873	\$ 10,473
29,285	29,685	400	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	8,500	18,199	9,699
0	0	0	0	0	0
<u>264,639</u>	<u>266,253</u>	<u>1,614</u>	<u>480,900</u>	<u>501,072</u>	<u>20,172</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	37,000	35,000	2,000
0	0	0	0	0	0
0	0	0	13,582	12,560	1,022
3,700	3,364	336	59,989	47,254	12,735
0	0	0	609,914	520,674	89,240
135,000	135,000	0	0	0	0
161,643	161,644	(1)	0	0	0
<u>300,343</u>	<u>300,008</u>	<u>335</u>	<u>720,485</u>	<u>615,488</u>	<u>104,997</u>
(35,704)	(33,755)	1,279	(239,585)	(114,416)	(84,825)
0	0	0	0	0	0
35,343	35,265	(78)	536,284	600,254	63,970
0	0	0	(683,472)	(662,471)	21,001
0	0	0	(10,400)	253	10,653
<u>35,343</u>	<u>35,265</u>	<u>(78)</u>	<u>(157,588)</u>	<u>(61,964)</u>	<u>95,624</u>
(361)	1,510	1,201	(397,173)	(176,380)	220,793
34,652	34,652	0	939,647	939,647	0
0	0	0	53,974	53,974	0
<u>\$ 34,291</u>	<u>\$ 36,162</u>	<u>\$ 1,201</u>	<u>\$ 596,448</u>	<u>\$ 817,241</u>	<u>\$ 220,793</u>

CITY OF MUNROE FALLS  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types and Expendable Trust Funds (continued)

	Expendable Trust Funds			Totals Memorandum Only		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 0	\$ 0	\$ 0	\$ 1,847,598	\$ 1,877,243	\$ 29,645
Intergovernmental	0	0	0	498,248	559,282	61,034
Charges for services	56,900	0	(56,900)	129,400	94,229	(35,171)
Fines, licenses and permits	0	0	0	67,200	48,023	(19,177)
Interest	0	0	0	157,636	180,459	22,823
Special assessments	0	0	0	8,500	18,199	9,699
Miscellaneous	131,080	131,120	40	132,442	131,713	(729)
<b>Total revenues</b>	<b>187,980</b>	<b>131,120</b>	<b>(56,860)</b>	<b>2,841,024</b>	<b>2,909,148</b>	<b>68,124</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of persons & property	80,442	77,430	3,012	1,413,804	1,251,397	162,407
Public health & welfare	0	0	0	35,000	32,417	2,583
Leisure time activities	0	0	0	85,459	73,555	11,904
Community development	0	0	0	800	49	751
Transportation	0	0	0	472,583	401,245	71,338
General government	0	0	0	688,564	633,807	54,757
Capital outlay	0	0	0	609,914	520,674	89,240
<b>Debt service:</b>						
Principal retirement	0	0	0	135,000	135,000	0
Interest	0	0	0	161,643	161,644	(1)
<b>Total expenditures</b>	<b>80,442</b>	<b>77,430</b>	<b>3,012</b>	<b>3,602,767</b>	<b>3,209,788</b>	<b>(392,979)</b>
Excess of revenue over (under) expenditures	107,538	53,690	(53,848)	(761,743)	(300,640)	461,103
<b>Other financing sources (uses):</b>						
Note proceeds	0	0	0	184,000	184,000	0
Operating transfers - in	618	504	(114)	572,245	1,440,449	868,204
Operating transfers - out	(7,000)	(35)	6,965	(591,772)	(1,440,326)	(848,554)
Other financing sources (uses)	(86,192)	(71,110)	15,082	(96,592)	(80,109)	16,483
<b>Total other sources (uses)</b>	<b>(92,574)</b>	<b>(70,641)</b>	<b>21,933</b>	<b>67,881</b>	<b>104,014</b>	<b>36,133</b>
Excess of revenue and other financing sources over (under) expenditures and other uses	14,964	(16,951)	(31,915)	(693,862)	(196,626)	497,236
Fund balances at the beginning of year	21,188	21,188	0	2,560,271	2,560,271	0
Prior year encumbrances appropriated	65,512	65,512	0	169,361	169,361	0
<b>Fund balances at end of year</b>	<b>\$ 101,664</b>	<b>\$ 69,749</b>	<b>\$ (31,915)</b>	<b>\$ 2,035,770</b>	<b>\$ 2,533,006</b>	<b>\$ 497,236</b>

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

CITY OF MUNROE FALLS  
Statement of Revenues, Expenses and Changes in  
Fund Equity - Proprietary Fund Type  
For the Year Ended December 31, 1999

	Enterprise Fund
Revenues:	
Charges for services	\$ 853,672
Intergovernmental	<u>36,069</u>
Total revenues	889,741
Operating expenses:	
Personal services	140,188
Contractual services	281,271
Material and supplies	34,878
Maintenance	3,362
Other operating expenses	350
Depreciation	<u>73,341</u>
Total operating expenses	<u>533,390</u>
Operating income	356,351
Non-operating revenues (expenses)	
Interest expense	(63,206)
Refund of prior year receipts	<u>(443)</u>
Total non-operating revenues (expenses)	<u>(63,649)</u>
Income (loss) before Operating Transfers	292,702
Operating transfers in	185,842
Operating transfers out	<u>(185,966)</u>
Net income	292,578
Retained earnings at beginning of year	<u>1,682,706</u>
Retained earnings at end of year	<u><u>\$ 1,975,284</u></u>

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

CITY OF MUNROE FALLS  
Statement of Cash Flows  
Proprietary Fund Type  
For the Year Ended December 31, 1999

	Enterprise Fund
Cash flows from operating activities:	
Operating income	\$ 356,351
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	73,341
Changes in assets and liabilities that increase (decrease) cash flow from operations:	
Receivables	(36,767)
Inventory of supplies	14,912
Prepays	(339)
Accounts payable	(7,896)
Accrued wages and benefits	4,169
Other liabilities	(337)
Net cash provided by operating activities	403,434
Cash flows from non-capital financing activities:	
Principal paid on note maturities	(40,000)
Interest paid on notes	(63,206)
Other non-operating revenues (expenses)	(567)
Net cash used by non-capital financing activities	(103,773)
Cash flows from investing activities:	
Acquisition of capital assets	(448,538)
Net cash used by investing activities	(448,538)
Net decrease in cash and cash equivalents	(148,877)
Cash and cash equivalents at beginning of year	1,009,802
Cash and cash equivalents at end of year	\$ 860,925

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



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Munroe Falls, Ohio, (the "City") is incorporated as a municipal corporation under the laws of the State of Ohio. The City operates under a Council-Mayor form of government and provides the following services: security of persons and property (police and fire), public health and welfare, leisure time activities, transportation (highways and streets), public improvements, community development, water utility system and general government services.

### A. REPORTING ENTITY

The criteria for including entities and funds in the combined financial statements comply with the Governmental Accounting Standards Board ("GASB") Statement Number 14 "The Financial Reporting Entity". The primary government has an elected governing board and is legally separate as a body politic with its own name. It is capable of suing and being sued in its own name without recourse and is capable of buying, selling, leasing and holding title to property. The general purpose financial statements include all funds and account groups of governmental operations that are controlled by or dependent upon the City as determined on the basis of budgetary overview, obligations to fund deficits or control the use of surplus funds, taxing authority and fiscal management responsibilities. Component units are legally separate organizations for which the primary government is financially accountable or legally separate organizations that are fiscally dependent on the primary government. As such, the City does not have any component units.

The Stow-Munroe Falls City School District conducts a portion of their activities within the boundaries of the City. However, this organization is not considered part of the reporting entity because the City does not exercise significant influence over their daily operations, approve their budgets, or maintain their accounting records. In addition, the City is not responsible for this organization's debt or funding any operating deficits.

### B. BASIS OF ACCOUNTING AND BASIS FOR PRESENTATION - FUND ACCOUNTING

Basis of Accounting - The financial statements of the governmental fund types and the expendable trust funds are prepared using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period in which they become measurable and available to finance current City operations. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on general long-term debt obligations which is recognized when due.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current period or within 60 days thereafter): interest earnings, income taxes, fines, licenses and permits, and state levied locally shared taxes (including motor vehicle fees).

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property taxes, though measurable, are not intended to finance current period obligations; therefore, property taxes receivable are recorded and deferred. The revenue will be recognized in the year in which it is collected.

Levied special assessments are measurable and have therefore been recorded as a receivable. Since the amounts recognized as a receivable will not be available to pay obligations of the current period, equal amounts are also recorded as deferred revenue. Other revenues, including certain charges for services and other miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Basis of Presentation - The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal 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.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

The City uses the following fund types and account groups:

- Governmental Fund Types - Governmental funds are those through which most governmental functions are typically financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position. The following are the City's governmental fund types:
  - General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
  - Special Revenue Funds - Special Revenue Funds are used to account for revenue derived from specific taxes, grants or other restricted revenue sources (other than expendable trusts or capital projects that are legally restricted to expenditures for specified purposes).
  - Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, certain general long-term debt principal, interest and related costs.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).
- Proprietary Fund Types - Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to achieve sound financial administration. The measurement focus is based upon determination of net income, financial position and cash flows.

The proprietary fund types have elected to not follow the Financial Accounting Standards Board's (FASB) pronouncements issued subsequent to November 30, 1989 in accordance with GASB Statement Number 20. The following is the City's proprietary fund type:

- Enterprise Funds - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.
- Fiduciary Fund Types - Fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds include Expendable Trust Funds.
  - Expendable Trust Funds - The Expendable Trust Funds account for assets held by the City in a trustee capacity. The funds' measurement focus is based upon determination of financial position and changes in financial position.
- Account Groups - The following account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations:
  - General Fixed Assets Account Group - to account for fixed assets other than those accounted for in the proprietary funds.
  - General Long-Term Obligations Account Group - to account for all unmatured long-term obligations of the City that are not a specific liability of any proprietary fund.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. BUDGET REQUIREMENTS AND BUDGETARY ACCOUNTING**

Tax Budget - The City's Director of Finance prepares a budget of estimated cash receipts and disbursements with the assistance and approval of the Mayor. This budget is presented to City Council which holds a public hearing before approving the budget. The budget is then 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 certifies its actions to the City by September 1. As part of this certification, the City receives the Official Certificate of Estimated Resources which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from each fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. Estimated revenue as shown in the combined financial statements does not include January 1, 1999 unencumbered fund balances; however, those fund balances are available for appropriation.

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

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

The City maintains budgetary control by not permitting expenditures plus encumbrances to exceed appropriations at the fund level. City Council approves appropriations at the fund, function, and object level of control.

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-Generally Accepted Accounting Principals (GAAP) budgetary basis statements in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent year expenditures.

NOTES TO COMBINED FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 1999

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 fiscal year and need not be re-appropriated.

D. BASIS OF ACCOUNTING

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts and disbursements. The major differences between the budget basis and GAAP are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures are recorded when spent in cash (budget) as opposed to when the liability is incurred (GAAP);
3. Encumbrances are recorded as expenditures (budget) as opposed to a reservation of a fund balance (GAAP) for governmental fund types and expendable trust fund.

A reconciliation of the results of operations from GAAP basis to budget basis is shown below:

	Excess of Revenue And Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>	<u>EXPENDABLE TRUST FUNDS</u>	<u>TOTAL</u>
GAAP BASIS	\$(57,327)	\$55,589	\$1,475	\$64,407	\$81,625	\$145,769
Adjustments						
Revenue Accruals	20,063	3,347	0	1,902	0	25,312
Expenditure Accruals	28,990	2,553	35	(164,614)	(16,260)	(149,296)
Encumbrances	<u>(33,321)</u>	<u>(24,699)</u>	<u>0</u>	<u>(78,075)</u>	<u>(82,316)</u>	<u>(218,411)</u>
BUDGET BASIS	<u>\$ (41,595)</u>	<u>\$ 36,790</u>	<u>\$ 1,510</u>	<u>\$ (176,380)</u>	<u>\$ (16,951)</u>	<u>\$ (196,626)</u>

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. POOLED CASH AND CASH EQUIVALENTS**

Cash balances of substantially all funds of the City are pooled and invested in a common group of bank accounts and in short-term investments. The cash flow statement for proprietary funds considers all cash and investments with a maturity of three months or less when purchased and all pooled cash and investments to be cash and cash equivalents.

**F. INVESTMENT POLICY**

The City has implemented GASB Statement Number 31, "Accounting and Financial Reporting Certain Investments and for External Investment Pools." This statement establishes 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. However, this implementation had no effect on fund balance/retained earnings as it was previously reported, since the City did not own any investments that carried a fair value that differed from the original cost.

**G. FIXED ASSETS AND DEPRECIATION**

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

Fixed assets used in proprietary fund type operations are capitalized in the fund in which they are utilized. All fixed assets are recorded at historical cost or, if donated, at fair market value at the date received.

Maintenance and repairs are normally expended or expensed except for expenditures which materially add to the value or life expectancy of an asset, which are capitalized at cost.

The City has elected not to record depreciation in the General Fixed Assets Account Group. Depreciation for proprietary funds is determined by allocating the cost of the fixed assets over their estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

	<u>Years</u>
Buildings	25
Improvements other than buildings	25
Equipment	2 - 25
Water Infrastructure	40

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. INVENTORY OF SUPPLIES

Inventories are stated at cost on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased and as an expense in the proprietary fund types when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute "available spendable resources" even though it is a component of net current assets.

I. INTERFUND TRANSACTIONS

Funds are transferred from one fund to support expenditures of other funds in accordance with the authority established for the individual funds. During 1999, transfers between funds were authorized by City Council.

Total transfers do not equal in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds in the general purpose financial statements due to transfers-out in the Proprietary Fund Types.

J. COMPENSATED ABSENCES

The City utilizes the vesting method for calculating compensated absences.

K. CONTRIBUTED CAPITAL

Contributed capital represents resources from other funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. There was no change in contributed capital during 1999.

L. FUND BALANCES (GOVERNMENTAL FUNDS AND EXPENDABLE TRUST FUND TYPES)

Fund balances are reserved for encumbrances, prepaid items, and inventories of supplies. The fund balance in the debt service fund is restricted for the retirement of general obligation and special assessment long-term debt.

M. TOTAL MEMORANDUM ONLY

Amounts in the "Totals Memorandum Only" columns in the financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented only for analytical purposes. The data in these columns do not present financial information in accordance with generally accepted accounting principles. The summation includes fund types and account groups that use different bases of accounting, and include interfund transactions that have not been eliminated. Consequently, amounts shown in the "Totals Memorandum Only" columns are not comparable to a consolidation.

## 2. DEPOSITS AND INVESTMENTS

Policies and Practices – The investment and deposit of City monies are governed by the Ohio Revised Code and provisions of the Codified Ordinances of the City. In accordance with these provisions, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The provisions also permit the City to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasury Asset Reserve (STAR Ohio), obligations of the United States Government, or certain agencies thereof, and certain industrial revenue bonds issued by other governmental entities. The City may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Insurance Corporation (FDIC) or may pledge a pool of government securities, the face value of which is at least 110% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement.

During 1999, the City complied with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits were made. The City was also in compliance with the provisions of the statutes concerning security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Deposits - At year end, the carrying amount of the City's deposits was \$1,639,064 and the bank balance was \$1,861,980. Of the bank balance, \$200,000 was covered by federal depository insurance. \$1,661,980 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

Investments - The City invested \$1,811,286 with the State Treasury Asset Reserve of Ohio (STAR Ohio). 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, 1999. The investment in STAR Ohio is not categorized as to custodial credit risk, as required by GASB Statement Number 3, because the investment is not evidenced by securities that exist in physical or book entry form.



NOTES TO COMBINED FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 1999

**2. DEPOSITS AND INVESTMENTS (Continued)**

As required by GASB Statement No. 3, the City's investments at December 31, 1999 are categorized below to give an indication of the level of custodial credit risk assumed by the City at year-end. The categories are described as follows:

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

	Risk Category			Carrying Amount (Fair Value)
	<u>1</u>	<u>2</u>	<u>3</u>	
Categorized Investments:				
Repurchase Agreements	\$ <u>0</u>	\$ <u>0</u>	\$ <u>330,000</u>	\$ <u>330,000</u>
Total Categorized Investments	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 330,000</u>	\$ 330,000
Non-Categorized Investments				
STAR Ohio				<u>\$ 1,811,286</u>
Total Investments				<u>\$ 2,141,286</u>

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 "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No 3 is as follows:

	Cash and Cash <u>Equivalent Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 3,780,350	\$ 0
Investments:		
Investment Sweep Account	\$ (330,000)	\$ 330,000
State Treasury Asset Reserve	<u>\$ (1,811,286)</u>	<u>\$ 1,811,286</u>
GASB Statement 3	<u>\$ 1,639,064</u>	<u>\$ 2,141,286</u>

CITY OF MUNROE FALLS

NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 1999

**3. COMPLIANCE AND ACCOUNTABILITY**

Fund Deficit - The Water Distribution Fund in the Enterprise Fund type had a deficit fund balance at December 31, 1999 of \$6,021. The City plans to eliminate this deficit as future financial resources are applied to liquidate obligations. The General Fund is liable for deficits in any fund and provides operating transfers when cash is required, not when accruals occur.

**4. RECEIVABLES**

The City's receivables by fund type consist of the following:

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>ENTERPRISE</u>	<u>EXPENDABLE TRUST</u>
Property taxes	\$259,284	\$331,886	\$259,455	\$ 0	\$ 0	\$ 0
City income taxes	95,362	0	0	63,566	0	0
Utility billings	0	0	0	0	204,234	0
Special assessment	0	0	0	51,306	0	0
Interest	20,809	0	0	0	0	0
Fines	7,157	0	0	0	0	0
Other	<u>4,945</u>	<u>0</u>	<u>0</u>	<u>10,070</u>	<u>0</u>	<u>120</u>
TOTALS	<u>\$387,557</u>	<u>\$331,886</u>	<u>\$259,455</u>	<u>\$124,942</u>	<u>\$204,234</u>	<u>\$ 120</u>

**5. FIXED ASSETS**

General Fixed Assets - A summary of changes in the General Fixed Assets Account Group follows:

	<u>BALANCE JANUARY 1</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE DECEMBER 31</u>
Land, land improvements, and infrastructure	\$ 359,922	\$139,261	\$ 0	\$ 499,183
Buildings, structures and improvements	3,312,420	4,088	0	3,316,508
Furniture, fixtures and equipment	1,067,847	253,668	22,815	1,298,700
Construction In Progress	<u>0</u>	<u>156,734</u>	<u>0</u>	<u>156,734</u>
TOTALS	<u>\$4,740,189</u>	<u>\$553,751</u>	<u>\$22,815</u>	<u>\$5,271,125</u>

CITY OF MUNROE FALLS

NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 1999

**5. FIXED ASSETS (Continued)**

Proprietary Fund Type Fixed Assets - A summary of proprietary fund fixed assets at December 31, 1999 follows:

Enterprise	
Land and land improvements	\$ 17,000
Buildings	314,907
Equipment	165,298
Water infrastructure	<u>2,062,965</u>
TOTAL	2,560,170
Less accumulated depreciation	<u>647,522</u>
NET	<u>\$1,912,648</u>

**6. CONTRACT PAYABLE**

The City entered into a five year contract, effective January 1, 1996 through December 31, 2000, with the City of Tallmadge, Ohio to provide dispatch services for the police and fire departments. The total contract cost for 2000 will be \$57,000. This agreement shall be null and void ninety days after written notice is given by either party to the other of their cancellation.

CITY OF MUNROE FALLS

NOTES TO COMBINED FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 1999

**7. LONG-TERM OBLIGATIONS**

A summary of the changes in the City's long-term obligations for the year ended December 31, 1999 is as follows:

	<u>BALANCE</u> <u>JANUARY 1</u>	<u>ISSUED/ (RETIRED)</u>	<u>BALANCE</u> <u>DECEMBER 31</u>
<b>ENTERPRISE FUNDS OBLIGATIONS</b>			
Water improvement bonds, Series 1994B 5.0%	\$1,005,000	\$ (40,000)	\$ 965,000
Compensated absences	<u>11,674</u>	<u>4,115</u>	<u>15,789</u>
<b>TOTAL ENTERPRISE FUND OBLIGATIONS</b>	<u>1,016,674</u>	<u>(35,885)</u>	<u>980,789</u>
<b>GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP</b>			
Safety and service bonds - Series 1994A 5.0%	2,145,000	(85,000)	2,060,000
City hall bonds - Series 1994A 5.0%	150,000	(25,000)	125,000
Fire engine bonds, Series 1994B 5.0%	130,000	(20,000)	110,000
Storm water bonds, Series 1994B 5.0%	180,000	(5,000)	175,000
EMS vehicle note, 4.96%	<u>0</u>	<u>184,000</u>	<u>184,000</u>
Subtotal	2,605,000	49,000	2,654,000
Other obligations			
Compensated absences	<u>147,455</u>	<u>(1,729)</u>	<u>145,726</u>
<b>TOTAL – GENERAL LONG TERM OBLIGATIONS ACCOUNT GROUP</b>	<u>2,752,455</u>	<u>47,271</u>	<u>2,799,726</u>
<b>TOTAL - LONG TERM OBLIGATIONS</b>	<u>\$3,769,129</u>	<u>\$11,386</u>	<u>\$3,780,515</u>

**7. LONG-TERM OBLIGATIONS (Continued)**

The Series 1994A Bonds are voted general obligations of the City. The Series 1994A Bonds were approved by the voters of the City at an election held on May 3, 1994. The voters approved, as part of that ballot issue, a tax to pay the debt service charges on the Series 1994A Bonds, without limitation as to amount or rate. Accordingly, principal and interest on the Series 1994A Bonds, unless paid from other sources and subject to the provisions of federal bankruptcy law and other laws affecting creditors' rights, are to be paid from the proceeds of the levy by the City of ad valorem property taxes on all applicable property in the City, which taxes are not subject to the ten-mill limit provided by Ohio law.

The Series 1994B Bonds are unvoted general obligations of the City. Principal and interest on the Series 1994B Bonds, unless paid from other sources and subject to the provisions of federal bankruptcy law and other laws affecting creditors' rights, are to be paid from the proceeds of the levy by the City of ad valorem property taxes on all taxable property in the City, which taxes are subject to the ten-mill limit provided by Ohio law.

Payment of the principal and interest on the Series 1994 Bonds is insured by a municipal bond insurance policy issued by AMBAC Indemnity Corporation.

All obligations are backed by the full faith and credit of the City. Although the obligations of the Enterprise Funds are general obligations of the City, the practice has been to have the debt serviced by the revenues of the Enterprise Fund.

The City utilizes the vesting method for calculating compensated absences. Employees with 10 years of service or more and 960 hours of sick leave or less are accrued at 50% while those over 960 hours are accrued at 25%. Those employees who have less than 10 years of service are accrued at 100%.

Full time employees shall be entitled to vacations with pay based upon the term of employment as follows:

<u>Years of Employment</u>	<u>Week(s)</u>
After one year	2
After five years	3
After ten years	4

Unused vacation for all full time employees, except full time patrolmen and police sergeants, shall be cumulative. The maximum accumulated vacation shall be 320 hours.

Each full time employee shall be entitled to sick leave leave of one and one-quarter days each month. Unused sick leave shall be cumulative up to 2,080 hours.

CITY OF MUNROE FALLS

NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 1999

**7. LONG-TERM OBLIGATIONS (Continued)**

City's debt service requirements, including interest of \$587,883 and \$1,414,864 for the Enterprise Fund Obligations and the General Obligations, respectively, subsequent to December 31, 1999 are:

<u>YEAR</u>	<u>ENTERPRISE FUND OBLIGATIONS</u>	<u>GENERAL OBLIGATIONS</u>
2000	\$ 101,543	\$ 345,819
2001	104,483	341,526
2002	102,120	336,826
2003	104,713	336,709
2004	101,963	330,808
Thereafter	<u>1,038,061</u>	<u>2,377,176</u>
Total	<u>\$1,552,883</u>	<u>\$4,068,864</u>

**8. LOCAL TAX REVENUES**

Income Taxes - An income tax of 2% is levied on substantially all income earned within the City. In addition, residents of the City are required to pay City income taxes on income earned outside the City; however, credit is allowed for income taxes paid to other municipalities and Joint Economic Development Districts up to 100% of the City's current tax rate.

Employers within the City are required to withhold income tax on employee compensation and remit this tax to the City at least quarterly. Major employers are required to remit withholdings to the City at least monthly. Corporations and self-employed individual taxpayers are required to pay estimated taxes quarterly and file a declaration annually with the City.

Total income tax revenue for the year ended December 31, 1999 was \$1,207,183. As required by Resolution #02-97, this amount was recognized 60% in the General Fund and 40% in the Capital Projects Fund in the accompanying financial statements.

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 assessed values as of January of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of the appraised market value. All property is required to be revalued every six years with a triennial update. Real property taxes received by the City in 1999 were based upon 1998 property values which were last updated in 1996. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20, with the remainder payable by June 20. In certain circumstances, state statute permits earlier or later payment dates to be established.

**8. LOCAL TAX REVENUES (Continued)**

Tangible personal property taxes (for tangible property other than public utility property) attach as a lien and are levied on January 1 of the current calendar year. Tax collections for the current year are therefore based upon assessed values as of January 1 of the current year. Tangible property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or 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 based on assessed values as of December 31 of the second year preceding the tax collection year, the lien date. The majority of public utility tangible personal property currently is assessed at 35 percent of its true value. Public Utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the City its portion of the taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively.

The City records property taxes receivable as of the levy date.

The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are shown as follows:

Real Property - 1998 Tax Valuation	\$84,460,760
Public Utility Personal Property - 1998 Tax Valuation	1,928,700
Tangible Personal Property - 1998 Tax Valuation	<u>4,865,078</u>
Total Valuation	<u>\$91,254,538</u>

Total property tax revenue recognized by fund type for the year ended December 31, 1999 is as follows:

General Fund	\$ 195,780
Special Revenue Fund	237,713
Debt Service Fund	<u>236,568</u>
Total	<u>\$670,061</u>

**9. DEFINED BENEFIT PENSION PLANS**

A. Employees and Plans

The City contributes to the Public Employees Retirement System (PERS) and the Police and Firemen's Disability and Pension Fund (PFDPF), which are both cost-sharing multiple-employer defined benefit pension plans. Non-uniformed and part-time uniformed employees are members of PERS. Full-time police and fire personnel are members of PFDPF. Benefit provisions are established by the Ohio State Legislature and are codified in Chapters 145 and 742 of the Ohio Revised Code for PERS and PFDPF, respectively. PERS and PFDPF issue publicly available financial reports that include financial information and required supplementary information for the plans.

Interested parties may obtain a copy by making a written request to PERS, 277 East Town Street, Columbus, Ohio 43215-4642 and to PFDPF, 140 East Town Street, Columbus, Ohio 43215-5164.

B. Public Employee Retirement System of Ohio (PERS)

Under PERS, the Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5% of covered payroll. The employer contribution rate is 13.55% of covered payroll. The employer contributions from the City to PERS for the year ended 1999, 1998, and 1997 were \$86,269, \$73,073, and \$74,107, respectively, equal to the required contributions for each year.

C. Police and Firemen's Disability and Pension Fund of Ohio (PFDPF)

Under PFDPF, plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24% , respectively, for police officers and firefighters. The City's contributions to PFDPF for 1999, 1998 and 1997 were \$70,323, \$68,076, and \$71,040, respectively, equal to the required contributions for each year.

**10. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

A. Public Employees Retirement System (PERS)

1. Public Employees Retirement System provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other 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. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate for state employers was 13.31% of covered payroll; 4.2% was the portion that was used to fund health care for the year. For local government units the rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for 1999.



**10. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

2. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.
3. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.
4. Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible statewide for OPEB at December 31, 1999 was 118,062.
5. During 1997, the Retirement Board adopted a new calculation method for determining employer contributions for OPEB. Under the new method, effective January 1, 1998 employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

**B. Police and Firemen's Disability and Pension Fund of Ohio (PFDPF)**

1. The fund provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or an individual under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirements system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement Number 12. The Ohio Revised Code provides that health care cost paid from the funds of Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.
2. The Ohio Revised Code also provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals.
3. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 6.5% and 7% of covered payroll in 1998 and 1999, respectively. The allocation is 7.25% in 2000. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.
4. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$20,470 for police and \$3,884 for fire. PFDPF's total health care expense statewide for the year ended December 31, 1998 (the latest information available) was \$78,596,790.

**10. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

5. The number of PFDPF participants eligible to receive health care benefits statewide as of December 31, 1998, the date of the last actuarial valuation available, is 11,424 for police and 9,186 for firefighters.

**11. COMPENSATED ABSENCES**

The portion of estimated vacation and vested sick leave for Governmental Fund employees that is payable at year end is recognized as a liability and expenditure in the respective governmental fund, and the portion not payable at year end is recognized in the General Long-Term Obligation Account Group.

Vacation leave is accumulated based upon length of service. Unused leave for all full-time employees shall be cumulative. The maximum accumulated vacation shall be 320 hours.

Each full-time employee is entitled to sick leave of 1¼ days each month. Unused sick leave is cumulative up to 2,080 hours. Each full-time employee, except full-time patrolmen and police sergeants, may elect to convert four hours of sick leave to one hour of vacation. Upon retirement, the first 960 hours of accumulated sick leave will be compensated at 50% and all hours over 960 will be compensated at 25%.

A summary of long-term accrued vacation and sick leave activity for the year ended December 31, 1999 is as follows:

	<u>BALANCE JANUARY 1</u>	<u>NET REDUCTIONS</u>	<u>BALANCE DECEMBER 31</u>
Compensated absences	<u>\$147,455</u>	<u>\$ (1,729)</u>	<u>\$145,726</u>

CITY OF MUNROE FALLS

NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 1999

**12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains several enterprise funds which provide water services. Segment information as of December 31, 1999, and for the year then ended for the enterprise funds, is summarized as follows:

	<u>Water Revenue</u>	<u>Water Distribution</u>	<u>Utility Improvement</u>	<u>Harry Avenue Waterline</u>	<u>Northmoreland Avenue Waterline</u>	<u>Other</u>	<u>Total</u>
Operating revenues	\$853,322	\$ 2,610	\$ 0	\$ 340	\$ 33,119	\$ 350	\$889,741
Operating expense							
Depreciation	0	24,136	35,313	6,175	7,341	376	73,341
Other operating expenses	<u>479,899</u>	<u>(35,356)</u>	<u>14,986</u>	<u>170</u>	<u>0</u>	<u>350</u>	<u>460,049</u>
Total operating expenses	<u>479,899</u>	<u>(11,220)</u>	<u>50,299</u>	<u>6,345</u>	<u>7,341</u>	<u>726</u>	<u>533,390</u>
Operating income	373,423	13,830	(50,299)	(6,005)	25,778	(376)	356,351
Other non-operating revenues (expenses)							
Interest	0	0	337	0	0	(63,543)	(63,206)
Other non-operating	<u>(412)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(31)</u>	<u>(443)</u>
Net income (loss)	373,011	13,830	(49,962)	(6,005)	25,778	(63,950)	292,702
Property, plant and equipment additions	0	57,961	338,025	0	52,552	0	448,538
Contributed capital	0	0	1,000	0	0	0	1,000
Net working capital	621,231	229,507	72,911	171	101,896	1,920	1,027,636
Total assets	652,783	998,979	744,216	228,952	376,126	20,975	3,022,031
Bonds and other long term liabilities	0	965,000	0	0	0	0	965,000
Total equity	\$621,231	\$ (6,021)	\$739,171	\$228,952	\$376,126	\$15,825	\$1,975,284

**13. CONTINGENT LIABILITIES**

There are certain pending and threatened lawsuits against the City. The City's management, after consultation with the City's Law Director, is of the opinion that the ultimate outcome of the pending and threatened litigation will not materially affect the City's financial position.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**14. RISK MANAGEMENT**

The City is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The City generally purchases commercial insurance to reduce its exposure to risk of loss.

The City carries insurance for General Liability, Auto Liability and Law Enforcement Liability with limits of \$5,000,000 per occurrence. The City also carries \$5,000,000 of Public Officials Liability coverage. The City also purchases insurance for the buildings and contents of all City locations and physical damage to vehicles with various deductibles. The City is insured through the State of Ohio for workers' compensation and provides employee health care benefits through a commercial insurance carrier.

Settled claims have not exceeded the City's insurance coverage in any of the past three years.

**15. SUBSEQUENT EVENTS**

On April 4, 2000, the Council of the City of Munroe Falls approved Resolution #09-2000 amending the allocation of funds provided in the Income Tax Ordinance of the City to seventy percent (70%) to the General Fund and thirty percent (30%) to the Capital Improvements Fund.



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

City of Munroe Falls  
Summit County  
43 Munroe Falls Avenue  
Munroe Falls, Ohio 44262

To the City Council:

We have audited the financial statements of City of Munroe Fall, Summit County, Ohio, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated July 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated July 25, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

City of Munroe Falls  
Summit County  
Report of Independent Accountants on Compliance and on Internal Control  
Required By *Government Auditing Standards*  
Page 2

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter July 25, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

July 25, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**CITY OF MUNROE FALLS**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 24, 2000**