



**CITY OF GARFIELD HEIGHTS  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 1999**



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

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**STATE OF OHIO**



**CITY OF GARFIELD HEIGHTS  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Members of Council  
City of Garfield Heights  
Cuyahoga County  
5407 Turney Road  
Garfield Heights, Ohio 44125

We have audited the accompanying general-purpose financial statements of the City of Garfield Heights, Cuyahoga 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 Garfield Heights, Cuyahoga County, Ohio, as of December 31, 1999, and the results of its operations for the year ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2000, on our consideration of the City'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

June 16, 2000

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**CITY OF GARFIELD HEIGHTS**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$532,747	\$473,593	\$275,082	\$864,165
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	5,972	0
Receivables:				
Taxes	1,656,832	4,665,475	939,803	409,494
Accounts	81,731	9,055	0	0
Special Assessments	0	0	3,396,698	0
Due from Other Funds	71,807	7,176	0	14,086
Due from Other Governments	304,968	91,873	0	0
Materials and Supplies				
Inventory	19,680	29,540	0	0
Prepaid Items	47,306	383	0	909
Fixed Assets	0	0	0	0
<b>Other Debits</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$2,715,071</b>	<b>\$5,277,095</b>	<b>\$4,617,555</b>	<b>\$1,288,654</b>



Fiduciary Fund Type	Account Groups		
Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
\$113,229	\$0	\$0	\$2,258,816
359,231	0	0	359,231
0	0	0	5,972
0	0	0	7,671,604
0	0	0	90,786
0	0	0	3,396,698
0	0	0	93,069
0	0	0	396,841
0	0	0	49,220
0	0	0	48,598
0	20,422,445	0	20,422,445
0	0	327,783	327,783
0	0	23,326,685	23,326,685
<u>\$472,460</u>	<u>\$20,422,445</u>	<u>\$23,654,468</u>	<u>\$58,447,748</u>

(continued)

**CITY OF GARFIELD HEIGHTS**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities</b>				
Accounts Payable	\$237,688	\$94,528	\$0	\$19,771
Contracts Payable	19,246	8,431	0	199,058
Accrued Wages and Benefits	56,751	12,416	0	3,268
Compensated Absences Payable	70,426	10,216	0	943
Retainage Payable	0	0	0	63,754
Due to Other Funds	0	0	0	0
Due to Other Governments	302,207	398,531	1,686	14,385
Deferred Revenue	1,074,114	4,572,241	4,282,114	362,877
Deposits Held and Due to Others	0	0	0	0
Matured Bonds and Interest Payable	0	0	5,972	0
Accrued Interest Payable	0	0	0	27,411
Notes Payable	0	0	0	2,450,000
Claims Payable	166,258	0	0	0
Police and Fire Pension Liability	0	0	0	0
Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
<b>Total Liabilities</b>	<b>1,926,690</b>	<b>5,096,363</b>	<b>4,289,772</b>	<b>3,141,467</b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	153,647	2,370	0	1,000
Reserved for Inventory	19,680	29,540	0	0
Unreserved, Undesignated (Deficit)	615,054	148,822	327,783	(1,853,813)
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>788,381</b>	<b>180,732</b>	<b>327,783</b>	<b>(1,852,813)</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$2,715,071</b>	<b>\$5,277,095</b>	<b>\$4,617,555</b>	<b>\$1,288,654</b>

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
\$0	\$0	\$0	\$351,987
0	0	0	226,735
0	0	0	72,435
0	0	3,181,653	3,263,238
0	0	0	63,754
93,069	0	0	93,069
0	0	0	716,809
0	0	0	10,291,346
379,391	0	0	379,391
0	0	0	5,972
0	0	0	27,411
0	0	0	2,450,000
0	0	205,195	371,453
0	0	730,997	730,997
0	0	357,623	357,623
0	0	17,375,922	17,375,922
0	0	1,803,078	1,803,078
472,460	0	23,654,468	38,581,220
0	20,422,445	0	20,422,445
0	0	0	157,017
0	0	0	49,220
0	0	0	(762,154)
0	20,422,445	0	19,866,528
<u>\$472,460</u>	<u>\$20,422,445</u>	<u>\$23,654,468</u>	<u>\$58,447,748</u>

**CITY OF GARFIELD HEIGHTS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental	
	General	Special Revenue
<b>Revenues</b>		
Municipal Income Tax	\$6,575,057	\$1,052,010
Property and Other Taxes	1,024,685	4,320,984
Charges for Services	1,680,943	610,281
Licenses and Permits	174,644	160
Fines and Forfeitures	598,831	30,303
Intergovernmental	2,454,107	1,585,271
Interest	29,428	526
Rent	31,387	0
Other	417,481	225,293
	<u>12,986,563</u>	<u>7,824,828</u>
<i>Total Revenues</i>		
<b>Expenditures</b>		
Current:		
General Government	6,712,623	42,146
Security of Persons and Property	7,182,831	1,554,481
Public Health and Welfare	155,870	259,286
Transportation	0	1,574,151
Community Environment	96,335	48,445
Basic Utility Services	1,186,643	385,817
Leisure Time Activities	0	942,330
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	8,747
Interest and Fiscal Charges	0	31,347
	<u>15,334,302</u>	<u>4,846,750</u>
<i>Total Expenditures</i>		
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,347,739)</u>	<u>2,978,078</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds of Loans	0	0
Operating Transfers In	4,116,956	1,266,083
Operating Transfers Out	(1,516,724)	(4,297,456)
	<u>2,600,232</u>	<u>(3,031,373)</u>
<i>Total Other Financing Sources (Uses)</i>		
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	252,493	(53,295)
<i>Fund Balances (Deficit) Beginning of Year</i>	525,807	234,258
<i>Increase(Decrease) in Reserve for Inventory</i>	<u>10,081</u>	<u>(231)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$788,381</u>	<u>\$180,732</u>

See accompanying notes to the general purpose financial statements

<u>Fund Types</u>		<u>Totals</u>
<u>Debt</u>	<u>Capital</u>	<u>(Memorandum</u>
<u>Service</u>	<u>Projects</u>	<u>Only)</u>
\$613,673	\$526,005	\$8,766,745
1,010,304	340,274	6,696,247
0	150,981	2,442,205
0	0	174,804
0	0	629,134
101,770	35,881	4,177,029
0	0	29,954
0	0	31,387
<u>23,586</u>	<u>18,758</u>	<u>685,118</u>
<u>1,749,333</u>	<u>1,071,899</u>	<u>23,632,623</u>
30,233	0	6,785,002
0	0	8,737,312
0	0	415,156
0	0	1,574,151
0	0	144,780
0	0	1,572,460
0	0	942,330
0	2,292,904	2,292,904
492,000	135,394	636,141
<u>989,447</u>	<u>116,839</u>	<u>1,137,633</u>
<u>1,511,680</u>	<u>2,545,137</u>	<u>24,237,869</u>
<u>237,653</u>	<u>(1,473,238)</u>	<u>(605,246)</u>
0	357,623	357,623
280,500	811,148	6,474,687
<u>(560,507)</u>	<u>(100,000)</u>	<u>(6,474,687)</u>
<u>(280,007)</u>	<u>1,068,771</u>	<u>357,623</u>
(42,354)	(404,467)	(247,623)
370,137	(1,448,346)	(318,144)
<u>0</u>	<u>0</u>	<u>9,850</u>
<u>\$327,783</u>	<u>(\$1,852,813)</u>	<u>(\$555,917)</u>

**CITY OF GARFIELD HEIGHTS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Municipal Income Tax	\$6,075,000	\$6,527,249	\$452,249
Property and Other Taxes	969,898	1,024,685	54,787
Charges for Services	1,586,487	1,682,580	96,093
Licenses and Permits	167,873	174,900	7,027
Fines and Forfeitures	576,790	598,831	22,041
Intergovernmental	2,301,641	2,431,607	129,966
Interest	28,097	29,428	1,331
Rent	29,718	31,387	1,669
Other	369,296	414,212	44,916
<i>Total Revenues</i>	<u>12,104,800</u>	<u>12,914,879</u>	<u>810,079</u>
<b>Expenditures</b>			
Current:			
General Government	6,384,107	7,047,803	(663,696)
Security of Persons and Property	7,171,305	7,593,625	(422,320)
Public Health and Welfare	165,201	158,420	6,781
Transportation	0	0	0
Community Environment	94,763	95,133	(370)
Basic Utility Services	1,281,749	1,376,701	(94,952)
Leisure Time Activities	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>15,097,125</u>	<u>16,271,682</u>	<u>(1,174,557)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,992,325)</u>	<u>(3,356,803)</u>	<u>(364,478)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Loans	0	0	0
Proceeds of Notes	0	0	0
Operating Transfers In	4,526,845	4,116,956	(409,889)
Operating Transfers Out	(1,516,724)	(1,516,724)	0
<i>Total Other Financing Sources (Uses)</i>	<u>3,010,121</u>	<u>2,600,232</u>	<u>(409,889)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	17,796	(756,571)	(774,367)
<i>Fund Balances Beginning of Year</i>	742,221	742,221	0
Prior Year Encumbrances Appropriated	<u>75,214</u>	<u>75,214</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$835,231</u></u>	<u><u>\$60,864</u></u>	<u><u>(\$774,367)</u></u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$972,000	\$1,044,360	\$72,360	\$567,000	\$609,210	\$42,210
4,510,335	4,320,984	(189,351)	1,184,549	1,010,304	(174,245)
519,769	602,221	82,452	0	0	0
148	160	12	0	0	0
21,000	30,573	9,573	0	0	0
1,576,972	1,609,445	32,473	126,218	107,697	(18,521)
534	526	(8)	0	0	0
0	0	0	0	0	0
390,668	223,446	(167,222)	27,706	23,586	(4,120)
<u>7,991,426</u>	<u>7,831,715</u>	<u>(159,711)</u>	<u>1,905,473</u>	<u>1,750,797</u>	<u>(154,676)</u>
42,000	42,146	(146)	29,010	30,233	(1,223)
1,424,599	1,323,889	100,710	0	0	0
264,514	265,338	(824)	0	0	0
1,416,557	1,608,784	(192,227)	0	0	0
225,930	61,758	164,172	0	0	0
414,600	385,917	28,683	0	0	0
917,318	969,619	(52,301)	0	0	0
0	0	0	0	0	0
0	0	0	492,000	492,000	0
0	0	0	1,009,458	1,009,458	0
<u>4,705,518</u>	<u>4,657,451</u>	<u>48,067</u>	<u>1,530,468</u>	<u>1,531,691</u>	<u>(1,223)</u>
<u>3,285,908</u>	<u>3,174,264</u>	<u>(111,644)</u>	<u>375,005</u>	<u>219,106</u>	<u>(155,899)</u>
0	0	0	0	0	0
0	0	0	0	0	0
1,293,236	1,266,083	(27,153)	224,249	280,500	56,251
(4,483,561)	(4,297,456)	186,105	(560,507)	(560,507)	0
<u>(3,190,325)</u>	<u>(3,031,373)</u>	<u>158,952</u>	<u>(336,258)</u>	<u>(280,007)</u>	<u>56,251</u>
95,583	142,891	47,308	38,747	(60,901)	(99,648)
271,892	271,892	0	335,983	335,983	0
42,313	42,313	0	0	0	0
<u>\$409,788</u>	<u>\$457,096</u>	<u>\$47,308</u>	<u>\$374,730</u>	<u>\$275,082</u>	<u>(\$99,648)</u>

(continued)

**CITY OF GARFIELD HEIGHTS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Municipal Income Tax	\$486,000	\$522,180	\$36,180
Property and Other Taxes	40,169	340,274	300,105
Charges for Services	145,000	149,700	4,700
Licenses and Permits	0	0	0
Fines and Forfeitures	0	0	0
Intergovernmental	4,528	38,351	33,823
Interest	0	0	0
Rent	0	0	0
Other	0	18,758	18,758
<i>Total Revenues</i>	<u>675,697</u>	<u>1,069,263</u>	<u>393,566</u>
<b>Expenditures</b>			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Basic Utility Services	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	1,515,217	2,363,953	(848,736)
Debt Service:			
Principal Retirement	2,160,394	2,160,394	0
Interest and Fiscal Charges	87,150	86,400	750
<i>Total Expenditures</i>	<u>3,762,761</u>	<u>4,610,747</u>	<u>(847,986)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,087,064)</u>	<u>(3,541,484)</u>	<u>(454,420)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Loans	357,623	357,623	0
Proceeds of Notes	1,675,000	2,450,000	775,000
Operating Transfers In	436,258	811,148	374,890
Operating Transfers Out	(100,000)	(100,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>2,368,881</u>	<u>3,518,771</u>	<u>1,149,890</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(718,183)	(22,713)	695,470
<i>Fund Balances Beginning of Year</i>	854,857	854,857	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$136,674</u>	<u>\$832,144</u>	<u>\$695,470</u>

See accompanying notes to the general purpose financial statements



Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$8,100,000	\$8,702,999	\$602,999
6,704,951	6,696,247	(8,704)
2,251,256	2,434,501	183,245
168,021	175,060	7,039
597,790	629,404	31,614
4,009,359	4,187,100	177,741
28,631	29,954	1,323
29,718	31,387	1,669
<u>787,670</u>	<u>680,002</u>	<u>(107,668)</u>
<u>22,677,396</u>	<u>23,566,654</u>	<u>889,258</u>
6,455,117	7,120,182	(665,065)
8,595,904	8,917,514	(321,610)
429,715	423,758	5,957
1,416,557	1,608,784	(192,227)
320,693	156,891	163,802
1,696,349	1,762,618	(66,269)
917,318	969,619	(52,301)
1,515,217	2,363,953	(848,736)
2,652,394	2,652,394	0
<u>1,096,608</u>	<u>1,095,858</u>	<u>750</u>
<u>25,095,872</u>	<u>27,071,571</u>	<u>(1,975,699)</u>
<u>(2,418,476)</u>	<u>(3,504,917)</u>	<u>(1,086,441)</u>
357,623	357,623	0
1,675,000	2,450,000	775,000
6,480,588	6,474,687	(5,901)
<u>(6,660,792)</u>	<u>(6,474,687)</u>	<u>186,105</u>
<u>1,852,419</u>	<u>2,807,623</u>	<u>955,204</u>
(566,057)	(697,294)	(131,237)
2,204,953	2,204,953	0
<u>117,527</u>	<u>117,527</u>	<u>0</u>
<u>\$1,756,423</u>	<u>\$1,625,186</u>	<u>(\$131,237)</u>

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**CITY OF GARFIELD HEIGHTS  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Garfield Heights have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

***A. Reporting Entity***

The City of Garfield Heights is a municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City operates under its own charter which was adopted on November 6, 1956. The City is governed under the mayor-council form of government.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes, performs the judicial functions of the City and presides at Council meetings. The chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also executes all contracts, conveyances, and evidences of indebtedness of the City.

Legislative authority is vested in an eight member council with seven members elected from wards and the president of Council elected at large. Council enacts ordinances and resolutions relating to tax levies, appropriates and borrows money, and accepts bids for materials and services and other municipal purposes.

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, agencies, departments and offices that are not legally separate from the City. For the City of Garfield Heights this includes police and fire protection, emergency medical services, municipal court, parks, recreation, planning, zoning, street maintenance and repairs.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

The City is associated with the Ohio Telecommunications Network Council, a jointly governed organization. Information about the organization is presented in Note 16 to the combined financial statements.

***B. Basis of Presentation - Fund Accounting***

The City's accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a set of self-balancing 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. 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 GARFIELD HEIGHTS  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***B. Basis of Presentation - Fund Accounting (Continued)***

An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types." The City uses the following fund types and account groups:

***Governmental Fund Types***

Governmental funds are those through which most governmental functions typically are financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are 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. The following are the City's governmental fund types:

***General Fund*** This fund 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.

***Special Revenue Funds*** These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

***Debt Service Fund*** This fund is used to account for the accumulations of resources for, and the payment of, general and special assessment long-term debt principal and interest.

***Capital Projects Funds*** These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

***Fiduciary Fund Type***

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 governmental units, and/or other funds. The City only utilizes the agency fund type. 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:

**CITY OF GARFIELD HEIGHTS  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***B. Basis of Presentation - Fund Accounting (Continued)***

***General Fixed Assets Account Group*** This account group accounts for all fixed assets of the City.

***General Long-Term Obligations Account Group*** This account group accounts for all unmatured long-term indebtedness of the City.

***C. Measurement Focus and Basis of Accounting***

Basis of accounting refers to when revenues and expenditures 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 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 thirty-one 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 and forfeitures and income tax withheld by employers.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1999, 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 of 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 recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term obligations 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 costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they 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.

***D. 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 appropriations ordinance are subject to amendment throughout the year with the legal restriction that the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

**CITY OF GARFIELD HEIGHTS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**  
**(Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Budgetary Process (Continued)***

***Tax Budget*** During the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

***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 September 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

***Appropriations*** A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An 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 only be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. The budget figures which appear in the statement 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 plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental 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. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

***E. Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. The City had no investments during the year or at year end. Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 1999 amounted to \$29,428, which includes \$17,674 assigned from other City funds.

**CITY OF GARFIELD HEIGHTS  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***E. Cash and Cash Equivalents***

The City utilizes a financial institution to service bonded debt as principal and interest come due. The balances of these accounts are presented in the Combined Balance Sheet as "Cash and Cash Equivalents with Fiscal and Escrow Agents." The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented in the Combined Balance Sheet as "Cash and Cash Equivalents in Segregated Accounts" and represent deposits.

***F. Interfund Assets and Liabilities***

Receivables and payables resulting from transactions between funds for services provided or goods received and agency fund assets due to operating funds are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

***G. Inventory***

Inventory is stated at cost on a first-in, first-out basis. Inventory consists of expendable supplies held for consumption. The costs of inventory are recorded as expenditures when purchased. Reported materials and supplies is equally offset by a fund balance reserve which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure is reported in the year in which services are consumed.

***I. Fixed Assets and Depreciation***

General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds 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 asset values were initially determined at December 31, 1986, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an assets's life are not capitalized. Improvements are capitalized.

The City has elected not to record depreciation in the general fixed assets account group.

**CITY OF GARFIELD HEIGHTS  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***J. Accrued 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, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions are reported as a liability in the general long-term obligation account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than thirty-one days after year end are generally considered not to have been paid with current available resources. Bonds and long-term loans are recognized as a liability of the general long-term obligations account group until due.

***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive the 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. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits in the City's termination policy.

Overtime is paid for in the period in which it was worked, except for the Police and Fire Department employees, who may accumulate overtime within statutory limits. At the time of separation, these employees are entitled to payment for any accumulated but unused overtime.

The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

***L. Reserves 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 appropriations or expenditure including amounts that are legally segregated for a specific future use. Fund balances are reserved for encumbrances and inventories of supplies and materials.

***M. Interfund Transactions***

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.



**CITY OF GARFIELD HEIGHTS  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***N. Memorandum Only - Total Columns***

The "Totals" columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

***O. 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.

**NOTE 2 - RESTATEMENT OF PRIOR YEAR**

The general fixed asset account group at December 31, 1998 was restated from \$19,366,777 to \$19,365,803 a decrease of \$974.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis:

**CITY OF GARFIELD HEIGHTS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**  
**(Continued)**

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$252,493	(\$53,295)	(\$42,354)	(\$404,467)
Net Adjustment for Revenue Accruals	176,397	6,887	1,464	(2,636)
Note Proceeds	0	0	0	2,450,000
Unrecorded Cash	(248,081)	0	0	0
Net Adjustment for Expenditure Accruals	(713,578)	205,796	0	(39,028)
Debt Retirement:				
Principal Retirement	0	0	0	(2,025,000)
Interest and Fiscal Charges	0	0	(20,011)	30,439
Encumbrances	(223,802)	(16,497)	0	(32,021)
Budget Basis	<u>(\$756,571)</u>	<u>\$142,891</u>	<u>(\$60,901)</u>	<u>(\$22,713)</u>

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Deficits**

The following funds had deficit fund balances as of December 31, 1999:

<i>Special Revenue Funds</i>	
Police Pension	\$163,160
Fire Pension	156,411
State Highway	1,660
Federal Nutrition	2,787
<i>Capital Projects Funds</i>	
Permanent Improvement	44,307
Street Resurfacing	1,716,869
Vehicle and Equipment	359,547

The special revenue deficits are caused by the recognition of expenditures on the modified accrual basis of accounting which are substantially greater than expenditures recognized on the cash basis. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Capital projects fund deficits are the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once bonds are issued and the liability is reported in the general long-term obligations account group rather than in the fund, the deficits will be eliminated.

**CITY OF GARFIELD HEIGHTS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**  
(Continued)

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)**

**B. Accountability**

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Revised Code.

Fund/Program/Activity	Appropriations	Expenditures	Excess
<b>General Fund</b>			
<i>General Government</i>			
Personal Services	\$4,166,725	\$4,282,888	\$116,163
Materials and Supplies	494,925	661,370	166,445
Contractual Services	1,556,351	1,790,298	233,947
Capital Outlay	109,506	164,650	55,144
Other	56,600	148,597	91,997
<i>Security of Persons and Property</i>			
Police Department			
Personal Services	3,889,730	3,977,977	88,247
Materials and Supplies	31,500	53,290	21,790
Contractual Services	265,400	296,945	31,545
Capital Outlay	137,000	346,453	209,453
<i>Security of Persons and Property</i>			
Fire Department			
Personal Services	2,632,000	2,682,159	50,159
Materials and Supplies	49,700	70,710	21,010
Contractual Services	138,975	161,156	22,181
<i>Community Environment</i>			
Economic Development			
Personal Services	91,413	92,572	1,159
<i>Basic Utilities</i>			
Sewer Operating			
Contractual Services	34,800	38,927	4,127
Solid Waste Disposal			
Contractual Services	1,180,000	1,281,941	101,941
<b>Special Revenue Funds</b>			
<b>Average Pay Fund</b>			
<i>General Government</i>			
Contractual Services	42,000	42,146	146
<b>Recreation Fund</b>			
<i>Leisure Time Activities</i>			
Personal Services	541,778	578,100	36,322
Materials and Supplies	128,658	158,269	29,611
<b>Street Construction, Maintenance and Repair Fund</b>			
<i>Transportation</i>			
Personal Services	897,947	955,426	57,479
Materials and Supplies	228,895	328,779	99,884

**CITY OF GARFIELD HEIGHTS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**  
**(Continued)**

Fund/Program/Activity	Appropriations	Expenditures	Excess
<b>Street Construction, Maintenance and Repair Fund</b>			
<i>(Continued)</i>			
<i>Transportation</i>			
Contractual Services	\$203,195	\$234,126	\$30,931
Capital Outlay	25,620	25,923	303
<b>State Highway Fund</b>			
<i>Transportation</i>			
Personal Services	41,287	42,643	1,356
Materials and Supplies	7,500	8,549	1,049
Contractual Services	6,000	7,298	1,298
<b>Federal Nutrition Fund</b>			
<i>Public Health and Welfare</i>			
Personal Services	218,022	218,741	719
Materials and Supplies	15,862	16,092	230
Contractual Services	7,370	7,384	14
Capital Outlay	3,383	3,423	40
<b>COPS Fast Grant Fund</b>			
<i>Security of Persons and Property</i>			
Personal Services	120,350	120,561	211
<b>Municipal Court Probation Services Fund</b>			
<i>Security of Persons and Property</i>			
Personal Services	0	314	314
Contractual Services	0	12	12
<b>Debt Service Fund</b>			
<b>Bond Retirement Fund</b>			
<i>General Government</i>			
Contractual Services	29,010	30,233	1,223
<b>Capital Projects Fund</b>			
<b>Permanent Improvement Fund</b>			
<i>Capital Outlay</i>			
Contractual Services	239,820	548,918	309,098
Capital Outlay	150,000	433,219	283,219
<b>Municipal Court Improvement Fund</b>			
<i>Capital Outlay</i>			
Contractual Services	75,000	89,680	14,680
<b>Street Resurfacing Fund</b>			
<i>Capital Outlay</i>			
Contractual Services	553,520	858,035	304,515
<b>Various Improvement Note Fund</b>			
<i>Capital Outlay</i>			
Contractual Services	\$44,133	\$51,323	\$7,190

In order to eliminate the budgetary violations, appropriations will be more closely monitored to ensure appropriations will cover year end encumbrances.

**CITY OF GARFIELD HEIGHTS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**  
**(Continued)**

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**NOTE 5 - DEPOSITS AND INVESTMENTS**

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 pass book accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be 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 division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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

**CITY OF GARFIELD HEIGHTS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**  
**(Continued)**

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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 treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand.** At year end, the City had \$248,081 in undeposited cash on hand which is included on the balance sheet as part of "cash and cash equivalents."

**Deposits** At year-end, the carrying amount of the City's deposits was \$2,375,938 and the bank balance was \$2,640,778. Of the bank balance, \$300,000 was covered by federal depository insurance and \$2,340,778 was uncollateralized and uninsured. Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institution's name, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements" requires that local governments disclose the market value and carrying amounts of investments, classified by risk. The City's investments are categorized as either (1) insured or registered or 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. The City did not have any investments at year end.

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 1999 consisted primarily of taxes, intergovernmental receivables and special assessments. No allowances for doubtful accounts have been recorded as uncollectible amounts are expected to be insignificant. All receivables are considered fully collectible.

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 1999 for real and public utility property taxes represents collections of the 1998 taxes. Property tax payments received during 1999 for tangible personal property (other than public utility property) is for 1999 taxes.

1999 real property taxes are levied after October 1, 1999 on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 1999 real property taxes are collected in and intended to finance 2000.

**CITY OF GARFIELD HEIGHTS  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(Continued)**

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**NOTE 6 - RECEIVABLES (Continued)**

**A. Property Taxes (Continued)**

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after October 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after October 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 1999, was \$19.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$276,392,090
Other Real Estate	78,707,330
Public Utility Tangible	18,273,790
Tangible Personal Property	31,701,713
Total Assessed Value	<u>\$405,074,923</u>

Real property taxes are payable annually or semiannually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Garfield Heights. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 1999. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 1999 operations. The receivable is offset by deferred revenue.

**B. Income Taxes**

The City levies a municipal income tax of two percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed. 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. By City ordinance, income tax proceeds are credited to the following funds: 75 percent to the general fund, 6 percent to the recreation special revenue fund, 6 percent to the street construction maintenance and repair special revenue fund, 7 percent to the bond retirement debt service fund and 6 percent to the storm and sanitary sewer capital projects fund.

**CITY OF GARFIELD HEIGHTS  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(Continued)**

**NOTE 6 - RECEIVABLES (Continued)**

**C. Intergovernmental Receivables**

A summary of the principal items of intergovernmental receivables follows:

	Amount
<b>General Fund:</b>	
Local Government Assistance	\$115,474
Estate Tax	98,091
Municipal Court Cost Reimbursement	61,698
Local Government	10,362
Narcotics Task Force	6,104
DARE Grant	5,817
Immobilization Fees	4,000
Liquor Permit Fees	2,469
Hotel/Motel Tax	574
Cigarette Tax	204
Non-voluntary Compliance Fee	175
Total General Fund	304,968
<b>Special Revenue Funds:</b>	
Street Construction, Maintenance, and Repair	55,015
State Highway	4,272
Motor Vehicle License Tax	13,455
COPS Fast	5,005
COPS More	3,843
Community Development	9,605
Nutrition	678
Total Special Revenue Funds	91,873
Total	\$396,841

**NOTE 7 - FIXED ASSETS**

A summary of changes in general fixed assets during 1999 follows:

	Balance January 1, 1999	Additions	Deletions	Balance December 31, 1999
Land and Improvements	\$1,264,433	\$24,800	\$510	\$1,288,723
Buildings	8,437,674	76,464	0	8,514,138
Improvements Other than Buildings	3,570,949	182,492	0	3,753,441
Vehicles	3,085,680	462,080	84,192	3,463,568
Equipment and Machinery	2,535,799	473,211	87,653	2,921,357
Furniture and Fixtures	471,268	9,950	0	481,218
Total	\$19,365,803	\$1,228,997	\$172,355	\$20,422,445



**CITY OF GARFIELD HEIGHTS  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(Continued)**

**NOTE 8 - NOTE DEBT**

The City's note activity for the year ended December 31, 1999 is as follows:

	<u>Balance 1/1/99</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding 12/31/99</u>
Capital Projects Funds:				
Street Resurfacing:				
4.15% Street Improvement	\$1,325,000	\$0	(\$1,325,000)	\$0
4.86% Street Improvement	0	1,200,000	0	1,200,000
4.65% Street Improvement	0	900,000	0	900,000
Vehicle and Equipment				
4.69% Vehicles and Equipment	700,000	0	(700,000)	0
4.31% Vehicles and Equipment	0	350,000	0	350,000
Total Notes	<u>\$2,025,000</u>	<u>\$2,450,000</u>	<u>(\$2,025,000)</u>	<u>\$2,450,000</u>

All notes are backed by the full faith and credit of the City of Garfield Heights and mature within one year. The note liability is reflected in the fund which received the proceeds. The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

**CITY OF GARFIELD HEIGHTS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**  
(Continued)

**NOTE 9 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City during the year ended December 31, 1999 were as follows:

	Outstanding 1/1/99	Additions	(Reductions)	Outstanding 12/31/99
<b>General Long-term Obligations</b>				
<b>General Obligation Bonds</b>				
1986 7.25%				
Street Improvement	\$600,000	\$0	(\$75,000)	\$525,000
1994 4.05% - 6.3%				
Various Purpose Improvement	3,055,000	0	(125,000)	2,930,000
1996 4.7% - 6.625%				
Various Purpose - Canal Warner	35,932	0	(1,383)	34,549
1996 4.7% - 6.625%				
Various Purpose - Sunset Meadowbrook	89,431	0	(3,058)	86,373
1996 4.7% - 6.625%				
Various Purpose - Streets	3,115,000	0	(60,000)	3,055,000
1998 3.65% - 4.6%				
Justice Center Refunding	2,645,000	0	0	2,645,000
1998 3.65% - 4.6%				
Civic Center Refunding	3,775,000	0	0	3,775,000
1998 3.6% - 4.6%				
Various Improvements	4,460,000	0	(135,000)	4,325,000
<i>Total General Obligation Bonds</i>	<u>17,775,363</u>	<u>0</u>	<u>(399,441)</u>	<u>17,375,922</u>
<b>Special Assessment Bonds</b>				
1980 9.25%				
Wolf Creek Storm Sewer	30,000	0	(15,000)	15,000
1986 7.75%				
Johnston/Rockside Improvement	96,000	0	(12,000)	84,000
1994 4.05% - 6.3%				
Neo Parkway Improvement	530,000	0	(20,000)	510,000
1996 4.7% - 6.625%				
Various Purpose - Canal Warner	744,068	0	(28,617)	715,451
1996 4.7% - 6.625%				
Various Purpose - Sunset Meadowbrook	495,569	0	(16,942)	478,627
<i>Total Special Assessment Bonds</i>	<u>1,895,637</u>	<u>0</u>	<u>(92,559)</u>	<u>1,803,078</u>
<b>Loans Payable</b>				
1998 6.71%				
Car Loan	135,394	0	(135,394)	0
1999 9%				
Car Loan	0	357,623	0	357,623
<i>Total Loans Payable</i>	<u>\$135,394</u>	<u>\$357,623</u>	<u>(\$135,394)</u>	<u>\$357,623</u>

**CITY OF GARFIELD HEIGHTS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**  
**(Continued)**

	Outstanding 1/1/99	Additions	(Reductions)	Outstanding 12/31/99
<b><i>Other General Long-Term Obligations</i></b>				
Compensated Absences Payable	\$2,951,638	\$230,015	\$0	\$3,181,653
Claims Payable	186,094	19,101	0	205,195
Police and Fire Pension Liability	739,744	0	(8,747)	730,997
Intergovernmental	295,021	0	(295,021)	0
<b><i>Total General Long-term Obligations</i></b>	<b><u>\$23,978,891</u></b>	<b><u>\$606,739</u></b>	<b><u>(\$931,162)</u></b>	<b><u>\$23,654,468</u></b>

General obligation bonds will be paid from the general bond retirement debt service fund. Special assessment bonds will be paid from the proceeds of special assessments levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Compensated absences reported in the "compensated absences payable" account and the claims reported in the "claims payable" account will be paid from the fund from which the employees' salaries are paid. Pension Obligations were paid from revenues received from the various funds in which employees receive pension benefits. The police and fire pension liability will be paid from taxes received in the police and fire pension special revenue funds. This includes both an accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters and a liability incurred when the City financed payment of current police and fire pension obligations. The loans payable will be paid from revenues received in the permanent improvement capital projects fund.

On November 1, 1998, the City issued \$7,105,000 of General Obligation Bonds. A portion of these bonds were used for the purpose of advance refunding \$2,540,000 of 1989 justice center bonds. As of December 31, 1999, the remaining outstanding \$2,210,000 of the refunded justice center bonds are considered defeased.

On December 1, 1998, the City issued \$3,775,000 of General Obligation Bonds. A portion of these bonds were used for the purpose of advance refunding \$3,425,000 of 1991 civic center bonds. As of December 31, 1999, the remaining outstanding \$3,210,000 of the refunded civic center bonds are considered defeased.

The City's overall legal debt margin was \$22,677,105 at December 31, 1999. Principal and interest requirements to retire long-term obligations outstanding at December 31, 1999 are as follows:

	General Obligation Bonds	Special Assessment Bonds	Police and Fire Pension	Loans	Totals
2000	\$1,414,129	\$202,499	\$40,094	\$198,305	\$1,855,027
2001	1,634,004	186,800	40,094	188,839	2,049,737
2002	1,744,147	182,206	40,094	0	1,966,447
2003	1,737,426	182,301	40,094	0	1,959,821
2004	1,728,915	186,562	40,094	0	1,955,571
2005-2009	8,381,208	861,298	200,470	0	9,442,976
2010-2014	6,455,075	826,840	200,470	0	7,482,385
2015-2019	2,638,526	174,114	200,470	0	3,013,110
2020-2036	0	0	619,670	0	619,670
<b>Totals</b>	<b><u>\$25,733,430</u></b>	<b><u>\$2,802,620</u></b>	<b><u>\$1,421,550</u></b>	<b><u>\$387,144</u></b>	<b><u>\$30,344,744</u></b>

**CITY OF GARFIELD HEIGHTS  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(Continued)**

**NOTE 10 - INTERFUND TRANSACTIONS**

Due from other funds and due to other funds at December 31, 1999, consist of the following individual balances:

<u>Fund Type/Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	<u>\$71,807</u>	<u>\$0</u>
Special Revenue Funds		
Indigent Drivers	525	0
Enforcement and Education	185	0
Municipal Court Probation Services	<u>6,466</u>	<u>0</u>
Total Special Revenue Funds	<u>7,176</u>	<u>0</u>
Capital Projects Fund		
Municipal Court Improvement	<u>14,086</u>	<u>0</u>
Deposits Agency Fund	<u>0</u>	<u>93,069</u>
Total	<u><u>\$93,069</u></u>	<u><u>\$93,069</u></u>

**NOTE 11- COMPENSATED ABSENCES**

Employees earn vacation at different rates which are affected by length of service. In general, vacation earned in any one year must be used within the following year and cannot be carried over except with the written approval of the Mayor. At the time of separation the employee is entitled to payment for any earned but unused vacation within statutory limits. Fire Department employees may carry balances over from year to year but are limited to the payment of six weeks of accumulated but unused vacation by collective bargaining agreement.

Overtime is paid for in the period in which it was worked, except for the Police and Fire Department employees, who may accumulate overtime within statutory limits. At the time of separation, these employees are entitled to payment for any accumulated but unused overtime.

Sick leave may be accrued without limit. Upon retirement, death, or leaving city service employees are entitled to payment of any accumulated but unused sick leave as follows: Fire Department employees at 50 percent, provided the employee had at least 15 years of service with the City; all other employees at 50 percent of accumulated but unused sick leave without any service requirement.

The current portion of unpaid compensated absences is recorded as a current liability in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. As of December 31, 1999 the liability for unpaid compensated absences was \$3,263,238 for the entire City.

**CITY OF GARFIELD HEIGHTS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**  
**(Continued)**

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

***A. Public Employees Retirement System***

All City full-time employees, other than non-administrative full-time uniformed police officers and firemen participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple 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 Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

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, 1999, 1998 and 1997 were \$480,218, \$441,406 and \$372,451 respectively. The full amount has been contributed for 1998 and 1997. 72.42 percent has been contributed for 1999 with the remainder being reported as a fund liability.

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

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and for 1999 the City is required to contribute 12.5 percent for police and 17 percent for firefighters. For 1998 the City contributions were 13 percent for police and 17.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to PFDPF for police and firefighters were \$381,042 and \$382,684 for the year ended December 31, 1999 and \$383,936 and \$379,150 for 1998 \$367,114 and \$395,846 for 1997; respectively. The full amount has been contributed for 1998 and 1997. 73.36 percent for police and 71.90 percent for fire has been contributed for 1999 with the remainder being reported as a fund liability.

In addition to the current contribution, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 1999, the unfunded liability of the City was \$730,997, payable in semiannual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

**CITY OF GARFIELD HEIGHTS**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**  
**(Continued)**

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**NOTE 13 - POSTEMPLOYMENT BENEFITS**

***A. Public Employees Retirement System***

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment 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 postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for the year 1999.

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 care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The City's actual contributions for 1999 which were used to fund OPEB were \$215,713.

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

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

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit 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 and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7 percent of covered payroll is applied to the postemployment health care program. For 1999 the percent used to fund healthcare was 6.5 percent. This allocation will be raised to 7.25 percent in 2000. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 1999 that were used to fund post employment benefits were \$213,383 for police and \$157,576 for fire. PFDPF's total health care expenses for the year ending December 31, 1998, (the latest information available) were \$78,596,790, which was net of member contributions of \$5,331,515. The number of PFDPF participants eligible to receive health care benefits as of December 31, 1998, was 11,424 for police and 9,186 for firefighters.

**CITY OF GARFIELD HEIGHTS  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(Continued)**

**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; injuries to employees; and natural disasters. During 1999, the City contracted with a single company for various types of insurance as follows:

Company	Type	Coverage
Reliance Insurance Company	Property	\$21,940,401
	Inland Marine	
	Contractors Equipment	262,834
	Scheduled Property	412,620
	Comprehensive General Liability	1,000,000 per occurrence 2,000,000 annual aggregate
	Police Professional Liability	1,000,000 per occurrence 1,000,000 annual aggregate
	Vehicle Liabilities:	
	Comprehensive	Cash Value
	Collision	Cash Value
	Public Officials Liability	1,000,000 per occurrence 1,000,000 annual aggregate
	Umbrella Liability	1,000,000 per occurrence

There has not been a significant reduction in commercial coverage from the prior year and settled claims have not exceeded this coverage in any of the past three years.

The City manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic hospital/medical/surgical plans with deductibles of \$100 per person and \$200 per family, with maximum out of pocket expenses, not including the deductibles, of \$500 per individual and the family. Mutual of Ohio reviews all claims which are then paid by the City. An excess coverage insurance (stop-loss) policy covers claims in excess of \$75,000 per employee and an aggregate of \$1,318,697. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

A health benefit claims liability of \$166,258 has been accrued in the general fund based on an estimate by the third party administrator. The liability reported at December 31, 1999 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurances Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense.

The City participates in the State Workers' Compensation retrospective rating and payment system. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured in 1999. Claims of \$205,195 have been accrued as a liability in the general long-term obligations account group at December 31, 1999 based on an estimate provided by Comp Management, Inc., the City's third party administrator. Changes in the claims liability amount for health and workers' compensation in 1997, 1998 and 1999 were:

**CITY OF GARFIELD HEIGHTS  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(Continued)**

**NOTE 14 - RISK MANAGEMENT (Continued)**

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1997	\$324,919	\$182,004	\$174,375	\$332,548
1998	332,548	186,277	182,004	336,821
1999	336,821	204,460	169,828	371,453

**NOTE 15 - CONTINGENCIES**

The City is a party to various legal proceedings seeking damages. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATION**

**Ohio Telecommunications Network Council** The City participates in the Ohio Telecommunications Network Council (Council), a regional council of governments formed under Chapter 167 of the Ohio Revised Code. The Council is governed by membership, including six cities and villages. Each member's control over the operations of the Council is limited to its representation on the board. Currently, the Council is undertaking a joint program for the establishment and operation of a fiber optics telecommunications system. The membership approves its own budget and oversees accounting and finance related activities. During 1999, the City of Garfield Heights paid nothing. Financial information can be obtained by contacting the City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio 44146.





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

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

Members of Council  
City of Garfield Heights  
Cuyahoga County  
5407 Turney Road  
Garfield Heights, Ohio 44125

We have audited the financial statements of the City of Garfield Heights, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 16, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 1999-20818-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 16, 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. However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 16, 2000.

City of Garfield Heights  
Cuyahoga County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

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

June 16, 2000

**CITY OF GARFIELD HEIGHTS  
SCHEDULE OF FINDING  
DECEMBER 31, 1999**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	<b>1999-20818-001</b>
-----------------------	-----------------------

Ohio Rev. Code Section 5705.41 (B), prescribes that no subdivision shall make any expenditure of money unless it has been appropriated. In addition, Ohio Rev. Code Section 5705.41 (D), requires that encumbrances be charged against proper appropriations. The following City accounts had expenditures plus encumbrances in excess of appropriations contrary to the aforementioned sections of the Revised Code:

Fund/Program/Activity	Appropriations	Expenditures	Excess
<b>General Fund</b>			
<i>General Government</i>			
Materials and Supplies	\$494,925	\$661,370	\$166,445
Contractual Services	1,556,351	1,790,298	233,947
Capital Outlay	109,506	164,650	55,144
Other	56,600	148,597	91,997
<i>Security of Persons and Property</i>			
<i>Police Department</i>			
Materials and Supplies	31,500	53,290	21,790
Contractual Services	265,400	296,945	31,545
Capital Outlay	137,000	346,453	209,453
<i>Security of Persons and Property</i>			
<i>Fire Department</i>			
Materials and Supplies	49,700	70,710	21,010
Contractual Services	138,975	161,156	22,181
<i>Basic Utilities</i>			
<i>Sewer Operating</i>			
Contractual Services	34,800	38,927	4,127
<b>Special Revenue Funds</b>			
<b>Recreation Fund</b>			
<i>Leisure Time Activities</i>			
Materials and Supplies	128,658	158,269	29,611
<b>Street Construction, Maintenance and Repair Fund</b>			
<i>Transportation</i>			
Materials and Supplies	228,895	328,779	99,884
Contractual Services	203,195	234,126	30,931

**CITY OF GARFIELD HEIGHTS  
SCHEDULE OF FINDING  
DECEMBER 31, 1999  
(Continued)**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	<b>1999-20818-001</b>
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Fund/Program/Activity	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<b>Capital Projects Fund</b>			
<b>Permanent Improvement Fund</b>			
<i>Capital Outlay</i>			
Contractual Services	\$239,820	\$548,918	\$309,098
Capital Outlay	150,000	433,219	283,219
<b>Municipal Court Improvement Fund</b>			
<i>Capital Outlay</i>			
Contractual Services	75,000	89,680	14,680
<b>Street Resurfacing Fund</b>			
<i>Capital Outlay</i>			
Contractual Services	553,520	858,035	304,515
<b>Various Improvement Note Fund</b>			
<i>Capital Outlay</i>			
Contractual Services	\$44,133	\$51,323	\$7,190

The percentage of excess in these budgetary violations ranges from 12% to 188%. This weakness could allow expenditures in the above funds to exceed the total of the available fund balance and the current year revenues. This would then result in a negative fund balance(s).

In order to eliminate these budgetary violations, the City will need to more closely monitor appropriations to ensure that appropriations will cover year end encumbrances. Therefore, we recommend the City compare appropriations to expenditures and appropriations to expenditures plus encumbrances, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at minimum, and the City's appropriations should be amended as required.



STATE OF OHIO  
OFFICE OF THE AUDITOR

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**CITY OF GARFIELD HEIGHTS**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 18, 2000**