



**CITY OF PEPPER PIKE  
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 PEPPER PIKE  
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## REPORT OF INDEPENDENT ACCOUNTANTS

City of Pepper Pike  
Cuyahoga County  
28000 Shaker Boulevard  
Pepper Pike, Ohio 44124

To the Members of City Council:

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 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 5, 2000

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**CITY OF PEPPER PIKE  
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>				
Equity in Pooled Cash and Cash Equivalents	\$4,712,174	\$102,006	\$2,306	\$2,295,549
Investments	293,056	0	0	0
Receivables:				
Taxes	1,492,481	1,288,419	473,916	0
Accounts	67,702	0	0	0
Interfund	434,337	0	0	0
Special Assessments	0	0	454,522	0
Accrued Interest	173,714	0	0	0
Due from Other Governments	41,466	25,963	0	0
Materials and Supplies				
Inventory	28,605	0	0	0
Prepaid Items	58,526	0	0	0
Fixed Assets	0	0	0	0
<b>Other Debits</b>				
Amount to be Provided from General Government Resources	0	0	0	0
<i>Total Assets and Other Debits</i>	<u>\$7,302,061</u>	<u>\$1,416,388</u>	<u>\$930,744</u>	<u>\$2,295,549</u>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities</b>				
Accounts Payable	\$165,265	\$434	\$764	\$14,427
Interfund Payable	0	0	25,000	409,337
Accrued Wages and Benefits	74,274	0	0	0
Compensated Absences Payable	19,117	5,915	0	0
Due to Other Governments	24,468	684	0	0
Deferred Revenue	892,077	1,288,419	928,438	0
Deposits Held and Due to Others	0	0	0	0
OPWC Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
<i>Total Liabilities</i>	<u>1,175,201</u>	<u>1,295,452</u>	<u>954,202</u>	<u>423,764</u>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	166,133	4,204	0	1,753,976
Reserved for Inventory	28,605	0	0	0
Unreserved, Undesignated (Deficit)	5,932,122	116,732	(23,458)	117,809
<i>Total Fund Equity (Deficit) and Other Credits</i>	<u>6,126,860</u>	<u>120,936</u>	<u>(23,458)</u>	<u>1,871,785</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$7,302,061</u>	<u>\$1,416,388</u>	<u>\$930,744</u>	<u>\$2,295,549</u>

See accompanying notes to the general purpose financial statements.



Fiduciary Fund Type	Account Groups			Totals (Memorandum Only)
	Agency	General Fixed Assets	General Long-Term Obligations	
\$131,704	\$0	\$0	\$7,243,739	
0	0	0	293,056	
0	0	0	3,254,816	
0	0	0	67,702	
0	0	0	434,337	
0	0	0	454,522	
0	0	0	173,714	
0	0	0	67,429	
0	0	0	28,605	
0	0	0	58,526	
0	7,263,327	0	7,263,327	
0	0	4,847,670	4,847,670	
<u>\$131,704</u>	<u>\$7,263,327</u>	<u>\$4,847,670</u>	<u>\$24,187,443</u>	
\$0	\$0	\$0	\$180,890	
0	0	0	434,337	
0	0	0	74,274	
0	0	320,262	345,294	
0	0	192,182	217,334	
0	0	0	3,108,934	
131,704	0	0	131,704	
0	0	447,170	447,170	
0	0	3,595,000	3,595,000	
0	0	293,056	293,056	
<u>131,704</u>	<u>0</u>	<u>4,847,670</u>	<u>8,827,993</u>	
0	7,263,327	0	7,263,327	
0	0	0	1,924,313	
0	0	0	28,605	
0	0	0	6,143,205	
0	7,263,327	0	15,359,450	
<u>\$131,704</u>	<u>\$7,263,327</u>	<u>\$4,847,670</u>	<u>\$24,187,443</u>	

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

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b>Revenues</b>			
Municipal Income Taxes	\$3,441,797	\$0	\$0
Property and Other Taxes	1,063,220	546,972	454,466
Charges for Services	72,335	0	0
Licenses and Permits	60,951	0	0
Fines and Forfeitures	65,777	0	0
Intergovernmental	1,140,703	229,846	168,154
Special Assessments	0	0	73,649
Interest	518,497	0	0
Contributions and Donations	0	638	0
Other	10,096	0	94
<i>Total Revenues</i>	<u>6,373,376</u>	<u>777,456</u>	<u>696,363</u>
<b>Expenditures</b>			
Current:			
General Government	961,852	0	1,491
Security of Persons and Property	2,453,360	759,097	0
Public Health and Welfare	23,712	0	0
Transportation	884,637	181,312	0
Community Environment	177,808	161	0
Basic Utility Services	1,576,572	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	407,343
Interest and Fiscal Charges	0	0	194,591
<i>Total Expenditures</i>	<u>6,077,941</u>	<u>940,570</u>	<u>603,425</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>295,435</u>	<u>(163,114)</u>	<u>92,938</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Bonds	0	0	0
Sale of Fixed Assets	2,621	0	0
Operating Transfers In	81,280	155,000	0
Operating Transfers Out	(155,000)	0	0
<i>Total Other Sources (Uses)</i>	<u>(71,099)</u>	<u>155,000</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	224,336	(8,114)	92,938
<i>Fund Balances Beginning of Year - Restated (Note 3)</i>	5,907,194	129,050	(116,396)
Decrease in Reserve for Inventory	(4,670)	0	0
<i>Fund Balances (Deficit) End of Year</i>	<u>\$6,126,860</u>	<u>\$120,936</u>	<u>(\$23,458)</u>

See accompanying notes to the general purpose financial statements

<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
\$0	\$3,441,797
0	2,064,658
283	72,618
0	60,951
0	65,777
0	1,538,703
28,508	102,157
0	518,497
0	638
<u>1,519</u>	<u>11,709</u>
 30,310	 <u>7,877,505</u>
 0	 963,343
0	3,212,457
0	23,712
0	1,065,949
0	177,969
0	1,576,572
1,137,968	1,137,968
 0	 407,343
<u>0</u>	<u>194,591</u>
 1,137,968	 <u>8,759,904</u>
 <u>(1,107,658)</u>	 <u>(882,399)</u>
 79,500	 79,500
0	2,621
0	236,280
<u>(81,280)</u>	<u>(236,280)</u>
 <u>(1,780)</u>	 <u>82,121</u>
  (1,109,438)	  (800,278)
2,981,223	8,901,071
<u>0</u>	<u>(4,670)</u>
 <u>\$1,871,785</u>	 <u>\$8,096,123</u>

**CITY OF PEPPER PIKE  
 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 Taxes	\$2,735,639	\$3,458,131	\$722,492
Property and Other Taxes	837,025	1,058,086	221,061
Charges for Services	8,434	10,661	2,227
Licenses and Permits	48,217	60,951	12,734
Fines and Forfeitures	52,670	66,581	13,911
Intergovernmental	1,004,903	1,270,302	265,399
Special Assessments	0	0	0
Interest	354,199	447,744	93,545
Contributions and Donations	0	0	0
Other	6,804	8,684	1,880
<i>Total Revenues</i>	<u>5,047,891</u>	<u>6,381,140</u>	<u>1,333,249</u>
<b>Expenditures</b>			
Current:			
General Government	1,350,243	1,024,851	325,392
Security of Persons and Property	2,948,110	2,571,124	376,986
Public Health and Welfare	24,551	23,907	644
Transportation	1,400,553	942,493	458,060
Community Environment	208,998	177,940	31,058
Basic Utility Services	1,712,069	1,582,274	129,795
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>7,644,524</u>	<u>6,322,589</u>	<u>1,321,935</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,596,633)</u>	<u>58,551</u>	<u>2,655,184</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Bonds	0	0	0
Sale of Fixed Assets	2,073	2,621	548
Advances In	92,078	116,396	24,318
Advances Out	0	(321,276)	(321,276)
Operating Transfers In	64,299	81,280	16,981
Operating Transfers Out	(155,000)	(155,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>3,450</u>	<u>(275,979)</u>	<u>(279,429)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</i>	<u>(2,593,183)</u>	<u>(217,428)</u>	<u>2,375,755</u>
<i>Fund Balances Beginning of Year</i>	4,743,805	4,743,805	0
Unexpended Prior Year Encumbrances	<u>288,271</u>	<u>288,271</u>	<u>0</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$2,438,893</u></u>	<u><u>\$4,814,648</u></u>	<u><u>\$2,375,755</u></u>

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
\$545,102	\$546,972	1,870	457,570	454,466	(3,104)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
217,457	230,959	13,502	163,534	168,154	4,620
0	0	0	40,727	73,649	32,922
0	0	0	0	0	0
0	638	638	0	0	0
0	0	0	0	94	94
<u>762,559</u>	<u>778,569</u>	<u>16,010</u>	<u>661,831</u>	<u>696,363</u>	<u>34,532</u>
0	0	0	2,000	1,491	509
775,200	759,469	15,731	0	0	0
0	0	0	0	0	0
250,249	223,396	26,853	0	0	0
161	161	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	407,343	407,343	0
0	0	0	194,591	194,591	0
<u>1,025,610</u>	<u>983,026</u>	<u>42,584</u>	<u>603,934</u>	<u>603,425</u>	<u>509</u>
<u>(263,051)</u>	<u>(204,457)</u>	<u>58,594</u>	<u>57,897</u>	<u>92,938</u>	<u>35,041</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	25,000	25,000
0	0	0	(117,000)	(116,396)	604
295,000	155,000	(140,000)	60,000	0	(60,000)
0	0	0	0	0	0
<u>295,000</u>	<u>155,000</u>	<u>(140,000)</u>	<u>(57,000)</u>	<u>(91,396)</u>	<u>(34,396)</u>
31,949	(49,457)	(81,406)	897	1,542	645
72,010	72,010	0	0	0	0
75,249	75,249	0	0	0	0
<u>\$179,208</u>	<u>\$97,802</u>	<u>(\$81,406)</u>	<u>\$897</u>	<u>\$1,542</u>	<u>\$645</u>

(continued)

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

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Municipal Income Taxes	\$0	\$0	\$0
Property and Other Taxes	0	0	0
Charges for Services	0	283	283
Licenses and Permits	0	0	0
Fines and Forfeitures	0	0	0
Intergovernmental	0	0	0
Special Assessments	47,510	28,508	(19,002)
Interest	0	0	0
Franchise Fees	0	0	0
Other	1,554	1,519	(35)
<i>Total Revenues</i>	<u>49,064</u>	<u>30,310</u>	<u>(18,754)</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
Capital Outlay	2,902,473	2,877,517	24,956
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>2,902,473</u>	<u>2,877,517</u>	<u>24,956</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,853,409)</u>	<u>(2,847,207)</u>	<u>6,202</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Bonds	1,132,490	79,500	(1,052,990)
Sale of Fixed Assets	0	0	0
Advances In	287,121	296,276	9,155
Advances Out	0	0	0
Operating Transfers In	98,000	0	(98,000)
Operating Transfers Out	(101,000)	(81,280)	19,720
<i>Total Other Financing Sources (Uses)</i>	<u>1,416,611</u>	<u>294,496</u>	<u>(1,122,115)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</i>	<u>(1,436,798)</u>	<u>(2,552,711)</u>	<u>(1,115,913)</u>
<i>Fund Balances Beginning of Year</i>	2,360,659	2,360,659	0
Unexpended Prior Year Encumbrances	<u>733,626</u>	<u>733,626</u>	<u>0</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$1,657,487</u></u>	<u><u>\$541,574</u></u>	<u><u>(\$1,115,913)</u></u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,735,639	\$3,458,131	\$722,492
1,839,697	2,059,524	219,827
8,434	10,944	2,510
48,217	60,951	12,734
52,670	66,581	13,911
1,385,894	1,669,415	283,521
88,237	102,157	13,920
354,199	447,744	93,545
0	638	638
8,358	10,297	1,939
<u>6,521,345</u>	<u>7,886,382</u>	<u>1,365,037</u>
1,352,243	1,026,342	325,901
3,723,310	3,330,593	392,717
24,551	23,907	644
1,650,802	1,165,889	484,913
209,159	178,101	31,058
1,712,069	1,582,274	129,795
2,902,473	2,877,517	24,956
407,343	407,343	0
194,591	194,591	0
<u>12,176,541</u>	<u>10,786,557</u>	<u>1,389,984</u>
<u>(5,655,196)</u>	<u>(2,900,175)</u>	<u>2,755,021</u>
1,132,490	79,500	(1,052,990)
2,073	2,621	548
379,199	437,672	58,473
(117,000)	(437,672)	(320,672)
517,299	236,280	(281,019)
<u>(256,000)</u>	<u>(236,280)</u>	<u>19,720</u>
<u>1,658,061</u>	<u>82,121</u>	<u>(1,575,940)</u>
(3,997,135)	(2,818,054)	1,179,081
7,176,474	7,176,474	0
1,097,146	1,097,146	0
<u>\$4,276,485</u>	<u>\$5,455,566</u>	<u>\$1,179,081</u>

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

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**NOTE 1 - REPORTING ENTITY**

The City of Pepper Pike 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 January 1, 1967. The City is governed under the mayor-council form of government.

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the legal entity of the City of Pepper Pike (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity."

The primary government includes the City departments and agencies that provide the following services: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair and general administrative services.

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 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 that 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

A fund is designed as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories: governmental and fiduciary. Each category in turn, is divided into separate "fund types." The City uses the following fund types and account groups:

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**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 expenditures for specified purposes.

**Debt Service Fund.** The debt service fund is used to account for the accumulation of financial resources for, and the payment of general and special assessment long-term obligation principal, interest and related cost.

**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. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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

**General Fixed Assets Account Group.** The general fixed assets account group is used to account for all general fixed assets of the City.

**General Long-Term Obligations Account Group.** The general long-term obligations account group is used to account for all unmatured long-term indebtedness of the City.

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

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

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. The basis of accounting and reporting treatment applied to a fund is determined by its measurement focus.

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***B. Measurement Focus and Basis of Accounting (Continued)***

The modified accrual basis of accounting is utilized for reporting purposes by the governmental and agency funds. Under this method of accounting, the City recognizes revenues and other financing sources when they become both measurable and available (i.e., collectible within the current period or within 60 days thereafter) to finance current City operations. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated for payments to be made early in the following year.

In applying the susceptible to accrual concept, revenues accrued at the end of the year include income taxes, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, gasoline taxes, and local government assistance). Other revenues, including licenses, permits, certain charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 1999 and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have been recorded as deferred revenue as further described in Note 7. 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.

***C. Budgetary Process***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The 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.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

***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.

***Estimates 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 appropriation ordinance.

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***C. Budgetary Process (Continued)***

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amount reported on the budgetary statements reflects 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. Total fund appropriations may not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. The City chooses to amend their appropriations once a year at the end of the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

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

***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.

***D. 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 City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During 1999, investments were limited to United States Treasury Notes, STAROhio and special assessment manuscript bonds. Investments are reported at fair value which is based on quoted market prices.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 1999.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 1999 amounted to \$518,497, which includes \$183,217 assigned from other City funds.

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Cash and Cash Equivalents (Continued)***

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

***E. Interfund Assets and Liabilities***

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" and "due to other funds". Short-term interfund loans are classified as "interfund receivables/payables."

***F. Inventory***

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

***G. 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 by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which it was consumed.

***H. 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, sidewalks 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, 1994 assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain fixed assets, the 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 City has elected not to record depreciation in the general fixed assets account group.

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

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***I. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer 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 is based upon the sick leave accumulated at December 31, 1999, by those employees who are expected to become eligible in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, 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.

***J. Accrued Liabilities and Long Term Obligations***

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

***K. Fund Equity***

Reservations of fund balances are established to identify the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditures, including amounts legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials and encumbrances.

***L. Intergovernmental Revenues***

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

***M. Interfund Transactions***

During the normal course of operations, the City has transactions between funds. 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 reductions 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 PEPPER PIKE**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED DECEMBER 31, 1999**  
**(Continued)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***N. 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 these estimates.

***O. Total Columns on the General Purpose Financial Statements***

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

**NOTE 3 - RESTATEMENT OF PRIOR YEAR FUND BALANCE**

Cash in the general fund was understated in the prior year. The fund balance in the general fund at December 31, 1998, of \$5,903,868 was restated by \$3,326 to \$5,907,194.

The general long-term obligations account group at December 31, 1998, was restated by \$33,409 from \$5,007,814 to \$5,041,223. This is due to the understatement of compensated absences.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP 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 for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).

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

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

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	\$224,336	(\$8,114)	\$92,938	(\$1,109,438)
Net Adjustment for Revenue Accruals	20,530	1,113	0	0
Advances In	116,396	0	25,000	296,276
Fair Value Adjustment for Investments	(12,766)	0	0	0
Net Adjustment for Expenditure Accruals	(41,300)	(38,252)	764	14,426
Advances Out	(321,276)	0	(116,396)	0
Encumbrances	(203,348)	(4,204)	(764)	(1,753,975)
Budget Basis	(\$217,428)	(\$49,457)	\$1,542	(\$2,552,711)

**NOTE 5 - FUND DEFICITS**

Fund balances at December 31, 1999 included the following individual fund deficits:

Debt Service Fund	
Bond Retirement	\$23,458
Capital Projects Funds	
Lander/Emerson Water Line	90,115
Pepper Hills Wastewater Treatment Plant	9,208
Kersdale Water Line	14,287

The debt service fund and capital project funds 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 provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.



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

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**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

Interim monies can be deposited or invested in the following:

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 exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement 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 (STAROhio).

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

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

**Deposits.** At year-end, the carrying amount of the City's deposits was \$321,526 and the bank balance was \$342,606. Of the bank balance:

1. \$221,950 was covered by federal depository insurance.
2. \$120,656 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**Investments.** Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

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

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

	Category 1	Category 2	Fair Value
Manuscript Bonds	\$293,056		\$293,056
U. S. Treasury Notes		5,187,234	5,187,234
<i>Total</i>	<u>\$293,056</u>	<u>\$5,187,234</u>	5,480,290
Investment in State Treasurer's Investment Pool (STAROhio)			<u>1,734,979</u>
Total Investments			<u>\$7,215,269</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 investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3, is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$7,243,739	\$293,056
Investments of Cash Management Pool:		
U. S. Treasury Notes	(5,187,234)	5,187,234
STAROhio	<u>(1,734,979)</u>	<u>1,734,979</u>
GASB Statement 3	<u>\$321,526</u>	<u>\$7,215,269</u>

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 1999 consist primarily of taxes, accounts, money due from other governments and accrued interest on investments. 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.

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

**NOTE 7 - RECEIVABLES (Continued)**

**A. Property Taxes (Continued)**

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.

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 \$9.50 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 Estate	
Residential/Agricultural	\$272,374,950
Other Real Estate	23,942,450
Tangible Personal Property	
Public Utility	8,749,670
General Tangible Personal Property	3,945,615
Total	\$309,012,685

Real property taxes are payable annually or semi-annually. 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 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.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Pepper Pike. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real and 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 one percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside of the City. The City allows a credit of fifty percent for income tax paid to another municipality.

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

**NOTE 7 - RECEIVABLES (Continued)**

***B. Income Taxes (Continued)***

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are to be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City of Pepper Pike. In 1999, the proceeds were allocated one hundred percent to the general fund.

***C. Intergovernmental Receivables***

A summary of intergovernmental receivables as of December 31, 1999 follows:

	Amount
General Fund:	
Local Government	\$28,960
Estate Tax	10,371
Liquor Permit Fees	2,135
<i>Total General Fund</i>	41,466
Special Revenue Funds:	
Street Construction, Maintenance and Repair	23,999
State Highway	1,964
<i>Total Special Revenue Funds</i>	25,963
<i>Total Intergovernmental Receivables</i>	\$67,429

**NOTE 8 - FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance 1/1/99	Additions	Deductions	Balance 12/31/99
Land	\$278,880	\$0	\$0	\$278,880
Improvements to Land	202,787	9,024	0	211,811
Buildings	2,792,439	327,474	0	3,119,913
Improvements to Buildings	606,424	19,133	0	625,557
Furniture, Fixtures and Equipment	1,276,295	136,332	(79,324)	1,333,303
Vehicles	1,673,202	52,626	(31,965)	1,693,863
<i>Total</i>	\$6,830,027	\$544,589	(\$111,289)	\$7,263,327

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

**NOTE 9 - INTERFUND ASSETS AND LIABILITIES**

Interfund balances at December 31, 1999, consist of the following individual fund receivables and payables:

Fund	Receivable	Payable
General Fund	\$434,337	\$0
Bond Retirement Debt Service Fund	0	25,000
Capital Projects Funds		
Lander/Emerson Water Line	0	113,061
Pepper Hills Wastewater Treatment Plant	0	10,000
Kersdale Water Line	0	2,829
Gates Mills Boulevard Improvement	0	255,733
Shaker Boulevard Resurfacing	0	27,714
<i>Total Capital Projects Funds</i>	<u>0</u>	<u>409,337</u>
<i>Total</i>	<u><u>\$434,337</u></u>	<u><u>\$434,337</u></u>

**NOTE 10 - 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.

Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation. Unused sick leave can be accumulated up to 120 work days, unless more than 120 work days are approved by the Mayor. Upon retirement, employees with 20 or more years of service shall be paid at the rate of one day for every two days accumulated.

As of December 31, 1999, the liability for unpaid compensated absences was \$345,294 for the entire City.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. Public Employees Retirement System**

All City full-time employees, other than Police 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 contribution to PERS for the years ended December 31, 1999, 1998, and 1997 were \$162,801, \$150,313, and \$102,391 respectively. The full amount has been contributed for 1998 and 1997. 71.21 percent has been contributed for 1999 with the remainder being reported as a liability within the general long-term obligations account group.

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

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

***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 the PFDPF's Board of Trustees. The PFDPF provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The PFDPF issues a publicly available financial report that includes financial information and required supplementary information. 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 was 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 the Fund for police and firefighters were \$118,663 and \$135,219 for the year ended December 31, 1999 \$117,643 and \$138,476 for 1998 and \$142,846 and \$187,253 for 1997. The full amount has been contributed for 1998 and 1997. 67.83 percent and 66.11 percent, respectively, have been contributed for 1999 with the remainder being reported as a liability within the general long-term obligations account group.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service employees 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 the authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll for employees; 4.2 percent was the portion that was used to fund health care.

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 investments 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, 1999, 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 \$73,130.

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.

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

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**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

***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 full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7 percent of covered payroll was applied to the postemployment health care program during 1999. For 1998 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 postemployment benefits were \$66,451 for police and \$55,679 for fire. PFDPF's total health care expenses for the year ended 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 PEPPER PIKE**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED DECEMBER 31, 1999**  
(Continued)

**NOTE 13 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City during 1999 are as follows:

	<u>Balance 12/31/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/99</u>
<b>General Obligation Bonds:</b>				
1997 5.35%				
Brookwood Water	\$945,000	\$0	(\$50,000)	\$895,000
1998 4.35%				
Street Improvement	<u>3,005,000</u>	<u>0</u>	<u>(305,000)</u>	<u>2,700,000</u>
<i>Total General Obligation Bonds</i>	<u>3,950,000</u>	<u>0</u>	<u>(355,000)</u>	<u>3,595,000</u>
<b>Special Assessment Manuscript Bonds:</b>				
1991 10.00%				
Belgrave Water	27,664	0	(13,832)	13,832
1991 10.00%				
South Woodland/Pinetree Water	2,758	0	(1,379)	1,379
1996 5.05%				
Brainard Road Water	54,595	0	(5,707)	48,888
1996 5.75%				
Brainard Road Sewer	154,578	0	(5,121)	149,457
1999 5.75%				
Lander/Emerson Road Sewer	<u>0</u>	<u>79,500</u>	<u>0</u>	<u>79,500</u>
<i>Total Special Assessment Manuscript</i>	<u>239,595</u>	<u>79,500</u>	<u>(26,039)</u>	<u>293,056</u>
1995				
OPWC Loan	<u>473,474</u>	<u>0</u>	<u>(26,304)</u>	<u>447,170</u>
<b>Other Long-term Obligations:</b>				
Compensated Absences	233,469	112,286	(25,493)	320,262
Intergovernmental Payable	<u>144,685</u>	<u>192,182</u>	<u>(144,685)</u>	<u>192,182</u>
<i>Total Other Long-term Obligations</i>	<u>378,154</u>	<u>304,468</u>	<u>(170,178)</u>	<u>512,444</u>
<i>Grand Total</i>	<u>\$5,041,223</u>	<u>\$383,968</u>	<u>(\$577,521)</u>	<u>\$4,847,670</u>

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

**NOTE 13 - LONG-TERM OBLIGATIONS (Continued)**

The City's overall legal debt margin was \$28,827,874 at December 31, 1999. The unvoted legal debt margin was \$13,377,240. Principal and interest requirements to retire the long-term general obligation bonds, special assessment manuscript bonds and the Ohio Public Works Commission (OPWC) loan as of December 31, 1999 are as follows:

	General Obligation Bonds	Special Assessment Bonds	OPWC Loan	Totals
2000	\$515,332	\$39,206	\$26,304	\$580,842
2001	500,658	22,473	26,304	549,435
2002	485,532	22,474	26,304	534,310
2003	470,108	22,474	26,304	518,886
2004	454,533	22,474	26,304	503,311
2005-2009	1,732,287	86,976	131,521	1,950,784
2010-2014	328,913	70,047	131,521	530,481
2014-2017	160,247	28,019	52,608	240,874
<i>Totals</i>	<u>\$4,647,610</u>	<u>\$314,143</u>	<u>\$447,170</u>	<u>\$5,408,923</u>

General obligation bonds are the direct obligation of the City and will be paid from the debt service fund using property tax revenues. Special assessment bonds will be paid from special assessment proceeds 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. The Ohio Public Works Commission (OPWC) project is complete and is being paid from the bond retirement debt service fund. Compensated absences and intergovernmental payable will be paid by the fund from which the employee's salary is paid.

**NOTE 14 - CONTRACTUAL COMMITMENTS**

The City has several continuing contracts with construction contractors. Of the total amounts authorized by Council ordinance, the following amounts remain unspent as of December 31, 1999.

Project	Balance
Gates Mills Boulevard Reconstruction	\$1,460,465
Shaker Boulevard Resurfacing	163,121
Brookwood Water Main	119,555
Total	<u>\$1,743,141</u>

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

**NOTE 15 - RISK MANAGEMENT**

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

Carrier	Type of Coverage	Deductible
C. N. A. Insurance Company	Property	\$1,000
	Boiler and Machinery	1,000
	Inland Marine	500
	Vehicle	
	Comprehensive	500
	Collision	100/500/1,000
	General Liability	n/a
	EMT Liability	n/a
National Casualty Insurance Company	Law Enforcement Liability	5,000
	Public Officials Liability	5,000
RLI Insurance Company	Umbrella Liability	n/a

Settled claims have not exceeded this commercial coverage in any of the past four years. There were no significant reductions in coverage from the prior year.

Workers' compensation coverage is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTE 16 - CONTINGENT LIABILITIES**

The City of Pepper Pike is a party to 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.

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

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

City of Pepper Pike  
Cuyahoga County  
28000 Shaker Boulevard  
Pepper Pike, Ohio 44124

To the Members of City Council:

We have audited the financial statements of the City of Pepper Pike, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 5, 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 an immaterial instance of noncompliance that we have reported to the management of the City in a separate letter dated June 5, 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 a 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 5, 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

June 5, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
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800-282-0370

Facsimile 614-466-4490

**CITY OF PEPPER PIKE**

**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 6, 2000**