

CITY OF MACEDONIA, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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The Honorable Mayor Barbara Kornuc
and Members of City Council
City of Macedonia
9691 Valley View Rd.
Macedonia, OH 44056

We have reviewed the independent auditor's report of the City of Macedonia, Summit County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Macedonia is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

July 12, 2001

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CITY OF MACEDONIA, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2000

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The Honorable Mayor Barbara Kornuc
and Members of City Council
City of Macedonia, Ohio

We have audited the accompanying general purpose financial statements of the City of Macedonia, Ohio, as of and for the year ended December 31, 2000, 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Macedonia, Ohio as of December 31, 2000 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards we have also issued a report dated June 8, 2001 on our consideration of the City of Macedonia, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

June 8, 2001

James G. Zupka
Certified Public Accountant

CITY OF MACEDONIA, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2000

	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Fund Types Enterprise
<u>Assets and Other Debits</u>					
Equity in Pooled Cash and Cash Equivalents and Investments	\$ 852,049	\$ 267,045	\$ 24,428	\$ 867,016	\$ 22,572
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	0
Receivables:					
Taxes	1,900,169	222,334	0	211,227	0
Accounts	86,839	13,649	0	207,413	0
Accrued Interest	12,228	0	0	3,872	0
Special Assessment	0	0	1,590,067	0	0
Due from Governments	66,404	23,591	0	53,260	0
Due from Funds	130,317	5,100	0	35,505	0
Inventory	11,982	39,836	0	0	0
Prepaid Items	26,708	554	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0	0
Other Debits:					
Amount Available in Debt Service Funds	0	0	0	0	0
Amount to be Provided for Retirement of General Long- Term Obligations	0	0	0	0	0
 Total Assets and Other Debits	 \$3,086,696	 \$ 572,109	 \$1,614,495	 \$1,378,293	 \$ 22,572

The accompanying notes are an integral part of these financial statements.

CITY OF MACEDONIA, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2000
 (CONTINUED)

	Fiduciary	<u>Account Groups</u>		Totals (Memorandum Only)
	<u>Fund Types</u> Trust and <u>Agency</u>	<u>General</u> <u>Fixed Assets</u>	<u>General</u> <u>Long-Term</u> <u>Obligations</u>	
<u>Assets and Other Debits</u>				
Equity in Pooled Cash and Cash Equivalents and Investments	\$ 267,922	\$ 0	\$ 0	\$ 2,301,032
Cash and Cash Equivalents in Segregated Accounts	1,500	0	0	1,500
Receivables:				
Taxes	0	0	0	2,333,730
Accounts	33,808	0	0	341,709
Accrued Interest	0	0	0	16,100
Special Assessment	0	0	0	1,590,067
Due from Governments	0	0	0	143,255
Due from Funds	0	0	0	170,922
Inventory	0	0	0	51,818
Prepaid Items	0	0	0	27,262
Fixed Assets (Net of Accumulated Depreciation)	0	19,390,488	0	19,390,488
Other Debits:				
Amount Available in Debt Service Funds	0	0	24,428	24,428
Amount to be Provided for Retirement of General Long- Term Obligations	0	0	12,649,195	12,649,195
 Total Assets and Other Debits	 \$ 303,230	 \$19,390,488	 \$12,673,623	 \$39,041,506

The accompanying notes are an integral part of these financial statements.

CITY OF MACEDONIA, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2000
 (CONTINUED)

<u>Liabilities, Fund Equity, and Other Credits</u>	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Liabilities:					
Accounts Payable	\$ 90,054	\$ 71,558	\$ 0	\$ 11,056	\$ 0
Contracts Payable	0	0	0	410,263	0
Claims Payable	97,146	0	0	0	0
Accrued Wages and Benefits	65,305	25,005	0	0	0
Funds Held on Deposit	0	0	0	0	0
Due to Other Governments	130,802	49,447	0	0	0
Due to Other Funds	0	130,317	0	40,605	0
Deferred Revenue	1,534,002	209,518	1,590,067	0	0
General Obligation Notes Payable	0	0	0	2,285,000	0
General Obligation Bonds Payable	0	0	0	0	0
Capital Lease Commitment Payable	0	0	0	0	0
Special Assessment Commitment					
Bonds Payable	0	0	0	0	0
Ohio Water Development Authority					
Bonds Payable	0	0	0	0	0
Ohio Public Works Commission	0	0	0	0	0
Compensated Absences Payable	16,397	8,853	0	0	0
Ohio Police and Fire Pension					
Accrued Liability	0	0	0	0	0
Total Liabilities	1,933,706	494,698	1,590,067	2,746,924	0
Fund Equity and Other Credits:					
Investment in General Fixed Assets	0	0	0	0	0
Contributed Capital	0	0	0	0	0
Retained Earnings					
Unreserved	0	0	0	0	22,572
Fund Balances:					
Reserved for Inventory	11,982	39,836	0	0	0
Reserved for Prepaid Items	26,708	554	0	0	0
Reserved for Encumbrances	23,110	3,137	0	195,060	0
Reserved for Debt Service	0	0	0	0	0
Unreserved:					
Designated for Sick Leave					
Benefits	0	0	0	0	0
Undesignated	1,091,190	33,884	24,428	(1,563,691)	0
Total Fund Equity (Deficit) and Other Credits	1,152,990	77,411	24,428	(1,368,631)	22,572
Total Liabilities, Fund Equity and Other Credits	\$ 3,086,696	\$ 572,109	\$ 1,614,495	\$ 1,378,293	\$ 22,572

The accompanying notes are an integral part of these financial statements.

CITY OF MACEDONIA, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2000
 (CONTINUED)

<u>Liabilities, Fund Equity, and Other Credits</u>	Fiduciary	Account Groups		Totals
	<u>Fund Types</u> Trust and <u>Agency</u>	General <u>Fixed Assets</u>	General <u>Long-Term</u> <u>Obligations</u>	(Memorandum <u>Only</u>)
Liabilities:				
Accounts Payable	\$ 25,825	\$ 0	\$ 0	\$ 198,493
Contracts Payable	0	0	0	410,263
Claims Payable	0	0	0	97,146
Accrued Wages and Benefits	0	0	0	90,310
Funds Held on Deposit	189,377	0	0	189,377
Due to Governments	0	0	10,104	190,353
Due to Other Funds	0	0	0	170,922
Deferred Revenue	0	0	0	3,333,587
General Obligation Notes Payable	0	0	0	2,285,000
General Obligation Bonds Payable	0	0	4,847,699	4,847,699
Bond Anticipation Notes Payable	0	0	6,225,000	6,225,000
Capital Lease Commitment Payable	0	0	0	0
Special Assessment Commitment				
Bonds Payable	0	0	1,252,500	1,252,500
Ohio Water Development Authority				
Bonds Payable	0	0	0	0
Ohio Public Works Commission	0	0	0	0
Compensated Absences Payable	0	0	338,320	363,570
Ohio Police and Fire Pension				
Accrued Liability	0	0	0	0
Total Liabilities	<u>215,202</u>	<u>0</u>	<u>12,673,623</u>	<u>19,654,220</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	19,390,488	0	19,390,488
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	22,572
Fund Balances				
Reserved for Inventory	0	0	0	51,818
Reserved for Prepaid Items	0	0	0	27,262
Reserved for Encumbrances	0	0	0	221,307
Reserved for Debt Service	0	0	0	0
Unreserved				
Designated for Sick Leave				
Benefits	0	0	0	0
Undesignated	88,028	0	0	(326,161)
Total Fund Equity (Deficit) and Other Credits	<u>88,028</u>	<u>19,390,488</u>	<u>0</u>	<u>19,387,286</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$ 303,230</u>	<u>\$ 19,390,488</u>	<u>\$ 12,673,623</u>	<u>\$ 39,041,506</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MACEDONIA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES AND
 EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types				Expendable Trust	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
Revenues						
Local Income Taxes	\$ 5,724,279	\$ 674,371	\$ 0	\$ 2,185,366	\$ 0	\$ 8,584,016
Property Taxes	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0
Intergovernmental	680,051	344,854	0	400,822	0	1,425,727
Special Assessments	0	4	149,709	5,987	0	155,700
Charges for Services	287,729	430,680	0	2,563	0	720,972
Fines, Licenses, and Permits	308,360	8,922	0	0	0	317,282
Interest Income	18,415	0	0	14,511	0	32,926
Miscellaneous	156,150	213,258	0	435,799	0	805,207
Total Revenues	7,174,984	1,672,089	149,709	3,045,048	0	12,041,830
Expenditures						
Current						
Security of Persons and Property	3,079,742	210,425	0	200,159	0	3,490,326
Public Health Services	220,180	0	0	0	0	220,180
Leisure Time Activities	6,047	1,102,580	0	1,438,554	0	2,547,181
Community Development	366,311	0	0	21,522	0	387,833
Basic Utilities	635,696	54,543	0	0	0	690,239
Transportation	328,623	401,122	0	1,798,271	0	2,528,016
General Government	1,851,588	62,549	0	138,116	0	2,052,253
Capital Outlay	0	0	0	0	0	0
Debt Service						
Principal Retirement	0	0	647,624	0	0	647,624
Interest and Fiscal Charges	0	0	366,710	383,476	0	750,186
Total Expenditures	6,488,187	1,831,219	1,014,334	3,980,098	0	13,313,838
Excess (Deficiency) of Revenues Over (Under) Expenditures	686,797	(159,130)	(864,625)	(935,050)	0	(1,272,008)
Other Financing Sources (Uses)						
Proceeds from Sale of Notes	0	0	0	6,225,000	0	6,225,000
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of OPWC Loan	0	0	0	0	0	0
Transfers In	4,164,518	665,570	888,538	2,734,746	15,000	8,468,372
Transfers Out	(4,786,593)	(543,828)	0	(3,137,951)	0	(8,468,372)
Other Sources	0	0	0	0	904	904
Other Uses	0	0	0	0	(904)	(904)
Total Other Financing Sources (Uses)	(622,075)	121,742	888,538	5,821,795	15,000	6,225,000
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	64,722	(37,388)	23,913	4,886,745	15,000	4,952,992
Fund Balances at Beginning of Year	1,076,286	110,718	515	(6,255,376)	73,028	(4,994,829)
Increase (Decrease) In Reserve for Inventory	11,982	4,081	0	0	0	16,063
Fund Balances (Deficit) at End of Year	\$ 1,152,990	\$ 77,411	\$ 24,428	\$ (1,368,631)	\$ 88,028	\$ (25,774)

The accompanying notes are an integral part of these financial statements.

CITY OF MACEDONIA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) -
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local Income Taxes	\$ 5,828,130	\$ 5,749,925	\$ (78,205)	\$ 624,810	\$ 673,587	\$ 48,777
Property Taxes	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0
Intergovernmental Revenues	579,505	661,755	82,250	581,623	365,294	(216,329)
Special Assessments	0	0	0	0	4	4
Charges for Services	267,000	291,524	24,524	527,983	437,935	(90,048)
Fines, Licenses, and Permits	303,050	311,448	8,398	8,600	9,987	1,387
Interest Income	0	0	0	0	0	0
Miscellaneous	81,408	118,245	36,837	265,592	204,618	(60,974)
Total Revenues	7,059,093	7,132,897	73,804	2,008,608	1,691,425	(317,183)
Expenditures						
Security of Persons and Property	3,118,610	3,118,116	494	236,429	209,240	27,189
Public Health & Welfare	220,435	220,180	255	0	0	0
Leisure Time Activities	6,450	6,269	181	1,128,819	1,128,173	646
Community Development	370,330	368,895	1,435	10,000	450	9,550
Basic Utilities	649,040	646,887	2,153	60,626	61,680	(1,054)
Transportation	330,790	330,039	751	601,198	389,631	211,567
General Government	2,177,859	2,179,948	(2,089)	90,806	54,923	35,883
Capital Outlay	0	0	0	0	0	0
Debt Service						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	6,873,514	6,870,334	3,180	2,127,878	1,844,097	283,781
Excess (Deficiency) of Revenues Over (Under) Expenditures	185,579	262,563	76,984	(119,270)	(152,672)	(33,402)
Other Financing Sources (Uses)						
Proceeds of Sale of Notes	0	0	0	0	0	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Other Proceeds	0	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0	0
Transfers In	4,125,000	4,164,518	39,518	675,570	665,570	(10,000)
Transfers Out	(4,786,593)	(4,786,593)	0	(543,828)	(543,828)	0
Advances In	0	0	0	0	10,000	10,000
Advances Out	(10,000)	(10,000)	0	0	0	0
Other Sources	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(671,593)	(632,075)	39,518	131,742	131,742	0
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	(486,014)	(369,512)	116,502	12,472	(20,930)	(33,402)
Fund Balances at Beginning of Year	1,263,974	1,263,974	0	283,782	283,782	0
Prior Year Encumbrances						
Appropriated	20,115	20,115	0	1,056	1,056	0
Fund Balances at End of Year	\$ 798,075	\$ 914,577	\$ 116,502	\$ 297,310	\$ 263,908	\$ (33,402)

CITY OF MACEDONIA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) -
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local Income Tax	\$ 0	\$ 0	\$ 0	\$ 2,200,471	\$ 2,200,471	\$ 0
Property Tax	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0
Intergovernmental Revenues	0	0	0	1,197,000	347,562	(849,438)
Special Assessments	250,796	149,709	(101,087)	0	5,987	5,987
Charges for Services	0	0	0	0	0	0
Fines, Licenses, and Permits	0	0	0	0	0	0
Interest Income	0	0	0	0	14,746	14,746
Miscellaneous	0	0	0	315,766	238,372	(77,394)
Total Revenues	250,796	149,709	(101,087)	3,713,237	2,807,138	(906,099)
Expenditures						
Security of Persons and Property	0	0	0	210,885	201,859	9,026
Public Health & Welfare	0	0	0	0	0	0
Leisure Time Activities	0	0	0	1,946,524	1,932,502	14,022
Community Environment	0	0	0	21,564	21,522	42
Basic Utilities	0	0	0	0	0	0
Transportation	0	0	0	2,909,531	1,970,804	938,727
General Government	0	0	0	248,497	138,116	110,381
Capital Outlay	0	0	0	0	0	0
Debt Service						
Principal Retirement	647,624	647,624	0	8,180,000	8,180,000	0
Interest and Fiscal Charges	367,971	366,710	1,261	383,476	383,476	0
Total Expenditures	1,015,595	1,014,334	1,261	13,900,477	12,828,279	1,072,198
Excess (Deficiency) of Revenues Over (Under) Expenditures	(764,799)	(864,625)	(99,826)	(10,187,240)	(10,021,141)	166,099
Other Financing Sources (Uses)						
Proceeds of Sale of Notes	0	0	0	8,710,000	8,510,000	(200,000)
Proceeds from Sale of Bonds	0	0	0	0	0	0
Other Proceeds	0	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0	0
Transfers In	889,801	888,538	(1,263)	2,693,520	2,734,746	41,226
Transfers Out	0	0	0	(3,139,611)	(3,137,951)	1,660
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Other Sources	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0
Total Other Financing Sources (Uses)	889,801	888,538	(1,263)	8,263,909	8,106,795	(157,114)
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	125,002	23,913	(101,089)	(1,923,331)	(1,914,346)	8,985
Fund Balances at Beginning of Year	(93,657)	(93,657)	0	2,188,750	2,188,750	0
Prior Year Encumbrances Appropriated	0	0	0	397,550	397,550	0
Fund Balances at End of Year	\$ 31,345	\$ (69,744)	\$ (101,089)	\$ 662,969	\$ 671,954	\$ 8,985

CITY OF MACEDONIA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) -
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Expendable Trust			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local Income Tax	\$ 0	\$ 0	\$ 0	\$ 8,653,411	\$ 8,623,983	\$ (29,428)
Property Tax	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0
Intergovernmental Revenue	0	0	0	2,358,128	1,374,611	(983,517)
Special Assessments	0	0	0	250,796	155,700	(95,096)
Charges for Services	0	0	0	794,983	729,459	(65,524)
Fines, Licenses, and Permits	0	0	0	311,650	321,435	9,785
Interest Income	0	0	0	0	14,746	14,746
Miscellaneous	0	0	0	662,766	561,235	(101,531)
Total Revenues	0	0	0	13,031,734	11,781,169	(1,250,565)
Expenditures						
Security of Persons and Property	0	0	0	3,565,924	3,529,215	36,709
Public Health & Welfare	0	0	0	220,435	220,180	255
Leisure Time Activities	12,355	12,355	0	3,094,148	3,079,299	14,849
Community Development	0	0	0	401,894	390,867	11,027
Basic Utilities	0	0	0	709,666	708,567	1,099
Transportation	0	0	0	3,841,519	2,690,474	1,151,045
General Government	0	0	0	2,517,162	2,372,987	144,175
Capital Outlay	0	0	0	0	0	0
Debt Service						
Principal Retirement	0	0	0	8,827,624	8,827,624	0
Interest and Fiscal Charges	0	0	0	751,447	750,186	1,261
Total Expenditures	12,355	12,355	0	23,929,819	22,569,399	1,360,420
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,355)	(12,355)	0	(10,898,085)	(10,788,230)	109,855
Other Financing Sources (Uses)						
Proceeds of Sale of Notes	0	0	0	8,710,000	8,510,000	(200,000)
Proceeds of Sales of Bonds	0	0	0	0	0	0
Other Proceeds	0	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0	0
Transfers In	15,000	15,000	0	8,398,891	8,468,372	69,481
Transfers Out	0	0	0	(8,470,032)	(8,468,372)	1,660
Advances In	0	0	0	0	10,000	10,000
Advances Out	0	0	0	(10,000)	(10,000)	0
Other Sources	0	904	904	0	904	904
Other Uses	0	(904)	(904)	0	(904)	(904)
Total Other Financing Sources (Uses)	15,000	15,000	0	8,628,859	8,510,000	(118,859)
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	2,645	2,645	0	(2,269,226)	(2,278,230)	(9,004)
Fund Balances at Beginning of Year	85,383	85,383	0	3,728,232	3,728,232	0
Prior Year Encumbrances						
Appropriated	0	0	0	418,721	418,721	0
Fund Balances at End of Year	\$ 88,028	\$ 88,028	\$ 0	\$ 1,877,727	\$ 1,868,723	\$ (9,004)

CITY OF MACEDONIA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Enterprise</u>
<u>Operating Revenues</u>	
Miscellaneous	\$ 16,451
Total Operating Revenues	16,451
<u>Operating Expenses</u>	
Materials and Supplies	3,919
Contractual Services	16,081
Total Operating Expenses	20,000
Operating (Loss) Income	(3,549)
(Decrease) Increase in Retained Earnings	(3,549)
Retained Earnings at Beginning of Year	26,121
Retained Earnings at End of Year	\$ 22,572

The accompanying notes are an integral part of these combined financial statements.

CITY OF MACEDONIA, OHIO
 COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2000

Cash Flows from Operating Activities

Cash Received from Users	\$ 16,451
Cash Payments to Suppliers for Goods and Services	(20,000)
	(3,549)

Net Decrease in Cash and Cash Equivalents	(3,549)
Cash and Cash Equivalents - 1/1/99	26,121
	\$ 22,572
	=====

**RECONCILIATION OF OPERATING LOSS TO
 NET CASH PROVIDED BY OPERATING ACTIVITIES**

Cash Flows from Operating Activities

Operating Loss	\$ (3,549)
	(3,549)
Net Cash Provided by (Used for) Operating Activities	\$ (3,549)

The accompanying notes are an integral part of these combined financial statements.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Description of the Entity**

The City

The City of Macedonia, Ohio (the "City") is a charter municipal corporation established for the purpose to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is a charter city and operates under a Mayor/Council form of government. Elected officials include six Council members and a Mayor.

Reporting Entity

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2000, and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

In evaluating how to define the governmental reporting entity, the City adopted the provision of GASB Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions, and component units for which the City (primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either **(1)** the City's ability to impose its will over the component unit, or **(2)** the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

On this basis, the City's financial reporting entity has no component units but includes all funds, account groups, agencies, boards, and commissions that are part of the primary government, including police and fire protection, waste collection, parks and recreation, health, certain social services, and general administrative services.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Description of the Entity** (Continued)

Reporting Entity (Continued)

The City's Mayor's Court has been included in the City's financial statements as an agency fund. The Mayor is an elected City official who has a fiduciary responsibility for the collection and distribution of the court fines and fees.

B. **Basis of Presentation**

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments.

The financial transactions of the City are recorded in individual funds and account groups. The various funds and account groups are reported by type in the general purpose financial statements. The City uses the following fund categories, fund types, and account groups:

Governmental Funds

Governmental funds are accounted for on a flow of financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheet. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during a period.

General Fund - the general operating fund of the City; used to account for all revenues and expenditures 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 the State of Ohio.

Special Revenue Funds - used to account for revenue from specific sources which require separate accounting because of legal restrictions requiring that expenditures be for specified purposes.

Debt Service Fund - to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Basis of Presentation** (Continued)

Governmental Funds (Continued)

Capital Projects Funds - used to account for revenues and expenditures related to the acquisition or construction of major capital facilities (other than those financed by proprietary funds) and to account for the financing of public improvements or services deemed to benefit specific properties against which assessments are levied.

Proprietary Funds

Proprietary funds are accounted for on a flow of economic resources measurement focus and upon determination of net income, financial position, and cash flows. All assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is classified as retained earnings.

Enterprise Funds - used to account for operations where the intention is to finance such operations primarily through user charges, or where the City has decided that the periodic determination of revenues, expenses, and net income is appropriate.

Fiduciary Funds

Expendable Trust Funds - Trust funds are used to account for resources, restricted by legally binding trust agreements. If the agreement does not require the City to maintain the corpus of the trust, the fund is classified as an expendable trust fund.

Agency Funds - used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Basis of Presentation** (Continued)

Account Groups

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long term debt.

General Fixed Assets Account Group - used to account for capital assets used in general government operations with a useful life of greater than one year (other than those accounted for in Proprietary Funds).

General Long-Term Obligations Account Group - used to account for all long-term obligations of the City, except for those accounted for in proprietary funds. These obligations are secured by the credit of the City as a whole and are payable from general government resources or assessments against property owners.

C. **Basis of Accounting**

Governmental and fiduciary funds types are accounted for on the modified accrual basis of accounting. Governmental revenues are recognized when they became measurable and available to finance expenditures of the current period. Revenue items, which are recognized before the related cash is received and are recorded as receivables, include income taxes arising from payroll tax withholding during the year, investment income, and reimbursable-type grants. Expenditures are recognized when the related fund liability is incurred, with the exception of accumulated unpaid employee compensation which is not payable from expendable financial resources and general long-term obligations principal and interest, which are recorded when due.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available, as they are collectible within the current period or soon enough thereafter to be used to pay obligations of the current period: investment earnings, special assessments due in the current year, income taxes withheld by employers and state-levied locally shared taxes (including motor vehicle fees).

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Basis of Accounting** (Continued)

Property taxes and special assessments (in the debt service funds), though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax and special assessment receivables are recorded and deferred until they become available.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded as revenue when the related liability is incurred except for unmatured principal and interest on general long-term debt which are recognized when paid. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

All proprietary funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary funds' unbilled services are recognized as revenue in the period when the service is provided. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities*, all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either **1**) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or **2**) continuing to follow new FASB pronouncements (unless they conflict with GASB pronouncements). The City has chosen not to apply future FASB standards.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Budgetary Accounting

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 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.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department of the City. Budgetary modifications may only be made by ordinance of the City Council.

The City's budgetary process is as follows:

Budget - A tax budget of estimated revenue and expenditures 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. A proposed budget of estimated revenues and expenditures is submitted by the Mayor to members of City Council of the City by November 15 of each year for the period January 1 to December 31 of the following year.

Estimated Resources - The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund. On or about January 1, the certificate is amended to include any unencumbered balances from the preceding year. 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 stated in the Certificate of Estimated Resources.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Budgetary Accounting** (Continued)

Appropriations - A temporary appropriation measure to control disbursements may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriations ordinance must be passed by March 31 and may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed the estimated resources.

Budgeted Level of Expenditures - The City is required by Ohio law to establish annual appropriations for all necessary funds. These appropriations distinguish the personal services and other costs for every division and expenditures may not legally exceed the amount appropriated at this level.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used as an extension of the formal budgetary control.

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.

Budgetary Basis of Accounting

The City's budget (budget basis) accounts for certain transactions on a basis which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes;
2. Expenditures are recorded when paid in cash for budget purposes as opposed to when the liability is incurred for GAAP purposes;

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Budgetary Accounting** (Continued)

Budgetary Basis of Accounting (Continued)

3. Encumbrances are recorded as the equivalent of expenditures for budget purposes as opposed to reservation of fund balances for GAAP purposes;
4. Short term note proceeds and note principal retirement for governmental funds are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

A reconciliation of the results of operations for the year from the GAAP basis to the budgetary basis for governmental fund types and enterprise fund types is as follows:

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust
GAAP Basis	\$ 64,722	\$ (37,388)	\$ 23,913	\$ 4,886,745	\$ 15,000
Increase (Decrease)					
Due to:					
Revenue Accruals		(42,087)	29,336	1,168,476	(237,910)
0					
Expenditures					
Accruals	(369,037)	(9,741)	(383,476)	(1,258,121)	(12,355)
Proceeds	0	0	7,395,000	(5,110,000)	0
Principal Retirement	0	0	(8,180,000)	0	0
Net Impact of Encumbrances on Budget Basis					
Expenditures	(23,110)	(3,137)	0	(195,060)	0
Budgetary Basis	\$ (369,512)	\$ (20,930)	\$ 23,913	\$ (1,914,346)	\$ 2,645

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Cash and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary 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 Equivalents and Investments" on the combined balance sheet.

During 2000, the portfolio of the City was limited to nonparticipating interest-earning investment contracts U. S. Government Securities and State Treasury Asset Reserve of Ohio (STAROhio) Nonparticipating investment contracts such as non-negotiable certificate of deposit are reported at cost. U.S. Government Securities are reported at amortized cost since the remaining maturity is less than one year at the time of purchase.

The City also invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2000. 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, 2000.

The City's policy is to hold investments until maturity.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury.

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

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F. **Fixed Assets**

Fixed assets include land and land improvements, buildings, structures and improvements, machinery and buildings under capital leases, vehicles, and machinery and equipment owned by the City. Infrastructure, including street, bridges, lighting systems, sewer lines, and sidewalks are not included.

Fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and capitalized in the general fixed assets account group. Property and equipment acquired by proprietary funds are reported in the acquiring funds. The City's policy is to capitalize expense (including interest, if applicable) on proprietary funds' construction projects until substantially completed and net investment earnings against construction costs, where appropriate.

All purchased fixed assets are recorded at historical cost or estimated historical cost if actual cost information is not available. All donated fixed assets are recorded at estimated fair market value at time of donation.

G. **Depreciation**

No depreciation is provided on general fixed assets. Depreciation, including amortization of amounts for capitalized leases, is charged to operations of Enterprise Funds over the fixed assets' estimated useful lives (4 years) using the straight-line method.

H. **Encumbrances**

As part of formal budgetary control over all funds, purchase orders, contracts, and other commitments for expenditures are encumbered and reported as expenditures on the non-GAAP budget basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balance since they do not represent expenditures or liabilities of the City.

I. **Grants and Other Intergovernmental Revenues**

State grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. Amounts received in excess of expenditures are reflected as deferred revenue.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

J. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. Operating subsidies are recorded as operating transfers.

K. Inventories

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

L. Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the general long-term obligations account group.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

M. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items are equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

N. Long-Term Obligations

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

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

O. Reservations of Fund Balance

Reservations of fund balance indicate that a portion of the balance is not available for expenditure or is legally segregated for specific future use. Balances are reserved for inventories of materials and supplies, prepaid expenses, and encumbrances (for governmental funds).

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

P. Total Columns on Combined Financial Statements

Total columns on the combined statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

NOTE 2: **ACCOUNTABILITY AND COMPLIANCE**

Fund Deficits

The following funds had deficit fund balances at December 31, 2000:

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
Recreation Center	\$ 27,269
Police Pension	16,835
CDBG Grant	17,514
Admissions Tax	81,744
Vehicle License Tax	35,988
JEDD	8,786
Fire Operating Levy	8,367
Capital Projects:	
82 Widening	23,958
Road Resurface 2000	395,121
Fire Apparatus Acquisition	350,000
Highland Road Phase I & II	309,346
Road Resurface 97-98	820,000

The fund deficit in the special revenue fund results from the recognition of expenditures on the modified accrual basis of accounting that are greater than expenditures recognized on the budgetary basis.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 2: **ACCOUNTABILITY AND COMPLIANCE** (Continued)

Fund Deficits (Continued)

The fund deficits in the capital projects funds are the result of recording notes payable in the individual fund balance sheets. Deficits do not exist under the cash basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

NOTE 3: **CASH, CASH EQUIVALENTS, 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 funds are public deposits that the City 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 a security for repayment, by surety company bonds deposited with the Treasurer of 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 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 payment of principal and interest by the United States;

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 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 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 the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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 the State, as to which there is no default of principal, interest, or coupons; and
3. Obligation 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 until maturity. Investments may only be made through specified dealers and institutions. Payments 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.

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

The following information classifies deposits and investments by categories of risk, as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements*.

A. **Deposits**

At year end, the carrying amount of the City's deposits was \$1,852,252 and the bank balance was \$2,201,925. \$434,068 of the bank balance was covered by federal depository insurance and \$1,767,857 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the City's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

B. **Investments**

GASB Statement No. 3 requires the City's investments be categorized to give an indication of the level of risk assumed by the City at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities 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 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 have investments (as defined by GASB 3) as of December 31, 2000 in the amount of \$450,280.

Investments as of December 31, 2000 are summarized below.

Category		Cost	Fair Value
3	STAROhio	\$ 208,157	\$ 208,157
3	U.S. Government Securities	242,123	242,123
	Totals	\$ 450,280	\$ 450,280

All of the investments are carried at cost or amortized cost.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

C. **Reconciliation of Cash, Cash Equivalents, and Investments**

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

	Cash & Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 1,852,532	\$ 450,000
Investments:		
Certificate of Deposit	450,000	(450,000)
U.S. Government Securities	(242,123)	242,123
STAROhio	(208,157)	208,157
GASB Statement No. 3	\$ 1,852,252	\$ 450,280

Certificate of deposits with an original maturity of three months or less are treated as cash equivalents (as defined by GASB 9).

The City maintains a cash pool that is available for use by all funds and accounts except for the Mayors Court Bond fund, which is maintained separately.

NOTE 4: **FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance January 1, 2000	Additions	Deletions	Balance December 31, 2000
Land and Land Improvements	\$ 960,545	\$ 52,919	\$ 0	\$ 1,013,464
Buildings, Structures, and Improvements	7,246,305	7,387,478	0	14,633,783
Machinery and Equipment	1,211,192	103,909	149,000	1,166,101
Vehicles	2,412,738	227,534	63,132	2,577,140
Construction in Progress	5,747,932	0	5,747,932	0
Total	\$ 17,578,712	\$ 7,771,840	\$ 5,960,064	\$ 19,390,488

CITY OF MACEDONIA, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 5: **INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at December 31, 2000 consist of the following:

Fund	Interfund Receivable	Interfund Payables
General Fund	\$ 130,317	\$ 0
	130,317	0
Special Revenue Funds:		
Admissions Tax	0	100,000
CDBG Grant	0	20,317
JEDD	0	10,000
Parks and Recreation	5,100	0
	5,100	130,317
Capital Projects:		
Capital Improvement	29,505	11,100
Brookepoint Storm Water Improvement	6,000	0
82 Widening	0	29,505
	35,505	40,605
Total	\$ 170,922	\$ 170,922

CITY OF MACEDONIA, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 6: **DUE FROM OTHER GOVERNMENTS**

Fund	Amounts
<u>General Fund</u>	
Local Government Support	\$ 31,892
Estate Taxes	34,512
Total General Fund	66,404
<u>Special Revenue Fund</u>	
Street Maintenance	
Gasoline Tax	1,798
Highway Distribution Tax	5,318
	7,116
State Highway	
Gasoline Tax	146
Highway Distribution Tax	431
	577
CDBG	
Highway Distribution Tax	11,258
Permissive License	
Permissive Tax	4,640
Total Special Revenue Funds	23,591
<u>Capital Improvement Fund</u>	
Highland Road Phase II and III	
Highway Distribution Tax	53,260
Total All Funds	\$ 143,255

NOTE 7: **DEFINED BENEFIT PENSION PLANS**

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. Public Employees Retirement System

The following information was provided by PERS of Ohio to assist the City in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*.

CITY OF MACEDONIA, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Public Employees Retirement System** (Continued)

The City of Macedonia contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The Retirement Board instituted a temporary employer contributions rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84 percent of covered payroll, 6.54 percent to fund the pension and 4.3 percent to fund health care. The 1999 and 1998 employer contribution rates were 13.55 percent. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2000, 1999, and 1998 were \$289,656, \$285,715, and \$253,750, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 4.3 percent of covered payroll, which amounted to \$116,930.

CITY OF MACEDONIA, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Public Employees Retirement System** (Continued)

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 1999 was \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

B. **Ohio Police and Fire Pension Fund (the "OP&F" Fund)**

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing, multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

CITY OF MACEDONIA, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. **Ohio Police and Fire Pension Fund (the "OP&F" Fund)** (Continued)

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2000, 1999 and 1998 were \$185,927, \$175,920, and \$129,813 for police and \$131,725, \$108,728, and \$79,563 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2000 covered payroll that was used to fund postemployment health care benefits was \$69,127 representing 7.25 percent of covered payroll for police and \$39,792 representing 7.25 percent of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go-basis. 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. As of December 31, 1999, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,467 for police and 9,807 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1999 were \$95,004,633, which was net of member contributions of \$5,518,098.

CITY OF MACEDONIA, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 8: **NOTES PAYABLE**

The Ohio Revised Code provides that notes and renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than the principal maturities required if the bonds had been issued at the expiration of the initial five year period.

The following general obligation notes were payable at December 31, 2000:

	Balance January 1, 2000	Issued	(Retired)	Balance December 31, 2000
Capital Projects Notes Payable:				
4.15% State Route 82	\$ 100,000	\$ 0	\$ 100,000	\$ 0
4.19% Fire Apparatus Notes	400,000	350,000	400,000	350,000
4.35% Macedonia City Center Recreation Center	3,190,000	0	3,190,000	0
95 Road Resurfacing	3,250,000	0	3,250,000	0
97/98 Road Resurfacing	440,000	220,000	440,000	220,000
Street Resurfacing 2000	800,000	600,000	800,000	600,000
8489 Park Avenue	0	1,000,000	0	1,000,000
	0	115,000	0	115,000
Total Notes Payable	<u>\$ 8,180,000</u>	<u>\$ 2,285,000</u>	<u>\$ 8,180,000</u>	<u>\$ 2,285,000</u>

All outstanding notes at December 31, 2000 were issued for one year or less. These notes were of the bond anticipation type and will be renewed. Proceeds from the notes were used for street improvements and equipment purchases.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 9: **LONG-TERM OBLIGATIONS**

Long-term obligations of the City, recorded in the General Long-Term Obligation Account Group, are as follows:

	Balance January 1, <u>2000</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2000</u>
<u>General Obligation Bonds</u>				
Recreation Center	\$ 2,979,000	\$ 0	\$ 282,000	\$ 2,697,000
Safety Building Center	2,109,000	0	213,000	1,896,000
City Hall Construction	337,023	0	82,324	254,699
Total General Obligation Bonds	5,425,023	0	577,324	4,847,699
<u>Bond Anticipation Notes</u>				
Macedonia City Center	0	3,075,000	0	3,075,000
Recreation Center	0	3,150,000	0	3,150,000
Total Bond Anticipation Notes	0	6,225,000	0	6,225,000
<u>Special Assessment Bond Payable</u>				
Highland Pointe Parkway	860,000	0	0	860,000
Driftwood Lane	191,400	0	60,900	130,500
Highland Road Improvement	271,400	0	9,400	262,000
Total Special Assessment Bond	1,322,800	0	70,300	1,252,500
<u>Other Obligations</u>				
Accrued Compensated Absences	210,747	338,320	210,747	338,320
Due to Other Governments	17,798	10,104	17,798	10,104
Total Other Obligations	228,545	348,424	228,545	348,424
Total General Obligation Bonds and Other Obligations	\$ 6,976,368	\$ 6,573,424	\$ 876,169	\$12,673,623

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (CONTINUED)

NOTE 9: **LONG-TERM OBLIGATIONS** (Continued)

Outstanding general obligation bonds consist of the construction of the new safety building and recreation center which are payable from proceeds received from the collection of City income tax.

Outstanding special assessment bonds consist of street improvements which are payable from the proceeds of tax assessments against individual property owners.

Accrued compensated absences and due to other governments will be paid by the fund from which the employee's salary is paid.

Bond Anticipation Note Payable of \$6,225,000 will be reissued as General Obligation Bonds in April, 2001 for permanent improvements to the City Center and the Recreation Center. In April, 2001, principal and interest of \$6,225,000 and \$85,722 is due on the notes payable.

Principal and Interest Requirements

A summary of the City's future long-term debt requirements, including principal and interest payments as of December 31, 2000 follows:

Years	General Obligation Bonds		Special Assessment Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$ 606,619	\$ 253,558	\$ 245,800	\$ 78,409	\$ 852,419	\$ 331,967
2002	638,256	220,625	249,300	63,605	887,556	284,230
2003	644,824	185,156	183,300	48,627	828,124	233,783
2004	599,000	154,011	184,000	36,741	783,000	190,752
2005	628,000	122,377	184,700	24,811	812,700	147,188
2006-2010	1,731,000	161,360	76,700	55,188	1,807,700	216,548
2011-2015	0	0	103,900	28,025	103,900	28,025
2016-2020	0	0	24,800	1,550	24,800	1,550
Totals	<u>\$4,847,699</u>	<u>\$1,097,087</u>	<u>\$1,252,500</u>	<u>\$336,956</u>	<u>\$6,100,199</u>	<u>\$1,434,043</u>

NOTE 10: **ACCUMULATED UNPAID EMPLOYEE BENEFITS**

City employees generally earn vacation ranging from two to five weeks based on length of service and sick leave of 5 days after six months and 1 1/4 days per month for continuous service. Sick leave accumulates on a monthly basis and is fully vested when earned. Normally, all vacation time is to be taken in the year available unless written approval for carryover of vacation is obtained, in which it is to be used in the first quarter of the following year.

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (CONTINUED)

NOTE 10: **ACCUMULATED UNPAID EMPLOYEE BENEFITS** (Continued)

An employee, at the time of retirement or disability retirement from service active with the City, is paid in cash 40 percent of the value of his accrued sick leave to a limit of a maximum of 384 hours. An employee with less than 10 years of service with the City who is terminated other than retirement is entitled to be paid 25 percent of their accrued unused sick leave to a limit of a maximum of 240 hours.

A summary of employee benefit obligations (calculated in accordance with GASB Statement No. 16) at December 31, 2000 is as follows:

	<u>Government Fund Types</u>
Compensated Absences	\$ 338,320
	<hr style="border-top: 1px solid black;"/>
	\$ 338,320
	<hr style="border-top: 3px double black;"/>

Government fund type liabilities are recorded in the General Long-Term Debt Account Group. The liability above excludes the amount of \$25,250 which was paid within the available period, which is reflected as a fund liability in the general fund and special revenue funds.

NOTE 11: **INCOME TAXES**

The City levies an income tax of 2.0 percent on gross salaries, wages, and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City.

NOTE 12: **PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. The assessed value upon which the 2000 levy was based was approximately \$246 million (per the Summit County Auditor). Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. A reevaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last reevaluation was completed in 1994.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 12: **PROPERTY TAXES** (Continued)

Real property taxes, excluding public utility property, are all assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January 20 and June 20 of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

Tangible personal property taxes are based on assessed value determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. For the collection year 2000, the percentage used to determine taxable value of personal property and inventory was 25 percent. Pertinent tangible personal property tax dates are:

Collection Dates	April 30 and September 30 of the current year
Lien Date	January 1 of the current year
Levy Date	October 1 of the year preceding the collection year

Public utility tangible personal property currently is assessed at 100 percent of its true value except for rural electric companies (50 percent) and railroads (25 percent). Pertinent public utility tangible personal property tax dates are:

Collection Dates	January 20 and June 20 of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the City its portion of the taxes collected.

The full property tax rate for all City operations for the year ended December 31, 2000 was \$13.10 per \$1,000 of assessed value. The assessed value upon which the 2000 tax receipts were based was \$315,815,993. This amount constitutes \$238,300,620 in real property assessed value, \$26,769,540 in public utility assessed value and \$50,745,833 in tangible personal property assessed value.

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (CONTINUED)

NOTE 12: **PROPERTY TAXES** (Continued)

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes which are measurable at December 31, 2000. These taxes are intended to finance the next fiscal year's operations and are therefore offset by a credit to deferred revenue. Property taxes receivable at December 31, 2000 amounted to \$1,900,169 in the general fund, \$222,334 in the special revenue funds, and \$211,227 in the Capital Projects Funds.

NOTE 13: **CONTINGENCIES AND COMMITMENTS**

The City is party to various legal proceedings. City management is of the opinion that ultimate settlement of such claims not covered by insurance will not result in a material adverse effect on the City's financial position.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being allowable expenditures under federal and state regulations. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

NOTE 14: **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2000, the City contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Nixon-Lauranti Insurance	Public Officials Liability (\$2,000,000 limit)	\$ 10,000
Nixon-Lauranti Insurance	Law Enforcement Liability (\$2,000,000 limit)	10,000
Cincinnati Insurance	Buildings and Contents	0
Cincinnati Insurance	Commercial Property	1,000
Cincinnati Insurance	Inland Marine	500
Cincinnati Insurance	Boiler and Machinery	1,000
Cincinnati Insurance	Automobile Comprehensive	250
Cincinnati Insurance	Automobile Collision	500
Cincinnati Insurance	General Liability (\$2,000,000 Aggregate/\$1,000,000 per occurrence)	0
American Alternative Insurance	Fire Professional Liability	0
Nixon-Lauranti Insurance	Bond - Finance Officials	0
Nixon-Lauranti Insurance	Bond - Public Employees	0

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (CONTINUED)

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

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. There have been no significant reduction in insurance coverage as compared to the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the post three fiscal years.

The City pays the State Worker's Compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 15: **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains one enterprise fund. Financial information for the year ended December 31, 2000 for these enterprise funds is summarized as follows:

	Nordonia Fun Fest
Operating Revenues	\$ 16,451
Operating Loss	(3,549)
Net Loss	(3,549)
Total Assets	22,572
Net Working Capital	22,572
Total Equity	22,572

NOTE 16: **SUBSEQUENT EVENTS**

The City issued bonds for approximately \$8,355,000 April 26, 2001.

As of May 1, 2001 Mayor Joseph Migliorini resigned to accept a position with Summit County. According to the City's Charter, Council President Barb Kornuc will become Mayor until a special election is held in November, 2001. According to Mr. Diemert, the City's legal counsel, Mrs. Kornuc will also continue to vote as a Council Member until the election. The Vice-President of Council, Nick Molnar, will become President of Council.

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Ohio Society of Certified Public Accountants

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

To the Honorable Mayor Barbara Kornuc
and Members of City Council
City of Macedonia, Ohio

We have audited the general purpose financial statements of the City of Macedonia, Ohio (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated June 8, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of Macedonia, Ohio's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of general purpose 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 is required to be reported under Government Auditing Standards. We also noted immaterial instances of noncompliance which we have reported to the management of the City of Macedonia, Ohio in a separate letter dated June 8, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Macedonia, Ohio's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial

statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the City of Macedonia, Ohio in a separate letter dated June 8, 2001.

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

June 8, 2001

James G. Zupka
Certified Public Accountant

CITY OF MACEDONIA, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000

The prior audit report, as of December 31, 1999, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF MACEDONIA

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 7, 2001**