



**CITY OF CHARDON  
GEAUGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000**



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

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**STATE OF OHIO**



CITY OF CHARDON  
GEAUGA COUNTY

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**STATE OF OHIO  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

City of Chardon  
Geauga County  
111 Water Street  
Chardon, Ohio 44024

To the Council Members:

We have audited the accompanying general-purpose financial statements of the City of Chardon (formerly, the Village of Chardon as described in Note 1), Geauga County, Ohio, (the City) as of and for the years ended December 31, 2001 and 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 audits provide 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 Chardon, Geauga County, Ohio, as of December 31, 2001 and December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2002 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. 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 audits.

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

**Jim Petro**  
Auditor of State

October 16, 2002

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# CITY OF CHARDON, OHIO

## COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

**DECEMBER 31, 2001**

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|                                                                       | <u>Governmental Fund Types</u> |                        |                     |                         |
|-----------------------------------------------------------------------|--------------------------------|------------------------|---------------------|-------------------------|
|                                                                       | <u>General</u>                 | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
| <b>ASSETS AND OTHER DEBITS</b>                                        |                                |                        |                     |                         |
| <u>Assets</u>                                                         |                                |                        |                     |                         |
| Equity in Pooled Cash and Cash Equivalents                            | \$ 1,397,641                   | \$ 1,447,255           | \$ 35,450           | \$ 186,750              |
| Receivable:                                                           |                                |                        |                     |                         |
| Taxes                                                                 | 1,002,034                      | 653,501                | -                   | -                       |
| Accounts                                                              | 6,577                          | 6,529                  | -                   | -                       |
| Interfund                                                             | 54,917                         | -                      | -                   | -                       |
| Interest                                                              | 12,794                         | 953                    | -                   | 198                     |
| Intergovernmental                                                     | 42,505                         | 65,305                 | -                   | -                       |
| Material and Supplies Inventory                                       | 102,536                        | -                      | -                   | -                       |
| Fixed Assets, Net of Accumulated Depreciation                         | -                              | -                      | -                   | -                       |
| <u>Other Debits</u>                                                   |                                |                        |                     |                         |
| Amount Available in Debt Service Funds                                | -                              | -                      | -                   | -                       |
| Amount to be Provided for Retirement of General Long-Term Obligations | -                              | -                      | -                   | -                       |
| Total Assets and Other Debits \$                                      | <u>2,619,004</u>               | <u>2,173,543</u>       | <u>35,450</u>       | <u>186,948</u>          |

The Accompanying Notes are an Integral Part of These Financial Statements



| <u>Proprietary<br/>Fund Types</u> | <u>Fiduciary<br/>Fund Type</u>  | <u>Account Groups</u>               |                                              | <u>Total<br/>(Memorandum<br/>Only)</u> |
|-----------------------------------|---------------------------------|-------------------------------------|----------------------------------------------|----------------------------------------|
|                                   |                                 | <u>General<br/>Fixed<br/>Assets</u> | <u>General<br/>Long-Term<br/>Obligations</u> |                                        |
| <u>Enterprise</u>                 | <u>Trust<br/>And<br/>Agency</u> |                                     |                                              |                                        |
| \$ 5,234,299                      | \$ 211,510                      | \$ -                                | \$ -                                         | \$ 8,512,905                           |
| -                                 | -                               | -                                   | -                                            | 1,655,535                              |
| 420,144                           | -                               | -                                   | -                                            | 433,250                                |
| -                                 | -                               | -                                   | -                                            | 54,917                                 |
| 9,068                             | 24                              | -                                   | -                                            | 23,037                                 |
| 234,667                           | -                               | -                                   | -                                            | 342,477                                |
| 155,160                           | -                               | -                                   | -                                            | 257,696                                |
| 14,826,638                        | -                               | 9,698,460                           | -                                            | 24,525,098                             |
| -                                 | -                               | -                                   | 35,450                                       | 35,450                                 |
| -                                 | -                               | -                                   | 3,550,442                                    | 3,550,442                              |
| <u>\$ 20,879,976</u>              | <u>\$ 211,534</u>               | <u>\$ 9,698,460</u>                 | <u>\$ 3,585,892</u>                          | <u>\$ 39,390,807</u>                   |

Continued

# CITY OF CHARDON, OHIO

## COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)

**DECEMBER 31, 2001**

|                                                           | <u>Governmental Fund Types</u> |                            |                         |                             |
|-----------------------------------------------------------|--------------------------------|----------------------------|-------------------------|-----------------------------|
|                                                           | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |
| <b><u>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</u></b> |                                |                            |                         |                             |
| <u>Liabilities</u>                                        |                                |                            |                         |                             |
| Accounts Payable                                          | \$ 154,473                     | \$ 141,631                 | \$ -                    | \$ 57,633                   |
| Accrued Wages and Benefits                                | 90,579                         | 813                        | -                       | -                           |
| Accrued Compensated Absences                              | 117,127                        | 323                        | -                       | -                           |
| Due to Other Governments                                  | 11,614                         | 580                        | -                       | -                           |
| Due to Others                                             | -                              | -                          | -                       | -                           |
| Interfund Payable                                         | -                              | -                          | -                       | -                           |
| Deferred Revenue                                          | 761,757                        | 698,474                    | -                       | -                           |
| Accrued Pension                                           | 89,196                         | 45,732                     | -                       | -                           |
| Accrued Interest Payable                                  | -                              | -                          | -                       | 36,167                      |
| OWDA Loan Payable                                         | -                              | -                          | -                       | -                           |
| OPWC Loan Payable                                         | -                              | -                          | -                       | -                           |
| Notes Payable                                             | -                              | -                          | -                       | 300,000                     |
| General Obligation Bonds Payable                          | -                              | -                          | -                       | -                           |
| Total Liabilities                                         | <u>1,224,746</u>               | <u>887,553</u>             | <u>-</u>                | <u>393,800</u>              |
| <u>Fund Equity and Other Credits</u>                      |                                |                            |                         |                             |
| Investment in General Fixed Assets                        | -                              | -                          | -                       | -                           |
| Retained Earnings (Deficit)                               | -                              | -                          | -                       | -                           |
| Fund Balance:                                             |                                |                            |                         |                             |
| Reserve for Encumbrances                                  | 453,194                        | 183,536                    | -                       | 142,173                     |
| Reserve for Inventory                                     | 102,536                        | -                          | -                       | -                           |
| Undesignated (Deficit)                                    | <u>838,528</u>                 | <u>1,102,454</u>           | <u>35,450</u>           | <u>(349,025)</u>            |
| Total Fund Equity and Other Credits                       | <u>1,394,258</u>               | <u>1,285,990</u>           | <u>35,450</u>           | <u>(206,852)</u>            |
| Total Liabilities, Fund Equity and Other Credits          | <u>\$ 2,619,004</u>            | <u>\$ 2,173,543</u>        | <u>\$ 35,450</u>        | <u>\$ 186,948</u>           |

The Accompanying Notes are an Integral Part of These Financial Statements

| Proprietary<br>Fund Types | Fiduciary<br>Fund Type          | Account Groups             |                                     | Total<br>(Memorandum<br>Only) |
|---------------------------|---------------------------------|----------------------------|-------------------------------------|-------------------------------|
|                           |                                 | General<br>Fixed<br>Assets | General<br>Long-Term<br>Obligations |                               |
| <u>Enterprise</u>         | <u>Trust<br/>And<br/>Agency</u> |                            |                                     |                               |
| \$ 431,779                | \$ -                            | \$ -                       | \$ -                                | \$ 785,516                    |
| 31,085                    | -                               | -                          | -                                   | 122,477                       |
| 103,305                   | -                               | -                          | 179,612                             | 400,367                       |
| 3,593                     | 30,930                          | -                          | -                                   | 46,717                        |
| -                         | 83,791                          | -                          | -                                   | 83,791                        |
| -                         | 54,917                          | -                          | -                                   | 54,917                        |
| -                         | -                               | -                          | -                                   | 1,460,231                     |
| 43,088                    | -                               | -                          | -                                   | 178,016                       |
| -                         | -                               | -                          | -                                   | 36,167                        |
| 12,208,211                | -                               | -                          | -                                   | 12,208,211                    |
| 81,000                    | -                               | -                          | 476,280                             | 557,280                       |
| -                         | -                               | -                          | 900,000                             | 1,200,000                     |
| -                         | -                               | -                          | <u>2,030,000</u>                    | <u>2,030,000</u>              |
| <u>12,902,061</u>         | <u>169,638</u>                  | <u>-</u>                   | <u>3,585,892</u>                    | <u>19,163,690</u>             |
| -                         | -                               | 9,698,460                  | -                                   | 9,698,460                     |
| 7,977,915                 | 19,636                          | -                          | -                                   | 7,997,551                     |
| -                         | -                               | -                          | -                                   | 778,903                       |
| -                         | -                               | -                          | -                                   | 102,536                       |
| -                         | <u>22,260</u>                   | <u>-</u>                   | <u>-</u>                            | <u>749,667</u>                |
| <u>7,977,915</u>          | <u>41,896</u>                   | <u>9,698,460</u>           | <u>-</u>                            | <u>19,327,117</u>             |
| <u>\$ 20,879,976</u>      | <u>\$ 211,534</u>               | <u>\$ 9,698,460</u>        | <u>\$ 3,585,892</u>                 | <u>\$ 39,390,807</u>          |

# CITY OF CHARDON, OHIO

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

### FOR THE YEAR ENDED DECEMBER 31, 2001

|                                                                                                      | <u>General</u>             | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> |
|------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|-------------------------|
| <u>Revenues</u>                                                                                      |                            |                            |                         |
| Property Taxes                                                                                       | \$ 331,856                 | \$ 708,830                 | \$ -                    |
| Municipal Income Tax                                                                                 | 2,471,452                  | -                          | -                       |
| Other Local Taxes                                                                                    | -                          | 100,000                    | -                       |
| Intergovernmental                                                                                    | 266,231                    | 308,583                    | -                       |
| Charges for Services                                                                                 | 1,025                      | 295,829                    | -                       |
| Licenses and Permits                                                                                 | 18,662                     | -                          | -                       |
| Fines and Forfeitures                                                                                | 781,758                    | 101,996                    | -                       |
| Special Assessments                                                                                  | 18,755                     | 146,975                    | -                       |
| Investment Income                                                                                    | 293,970                    | 23,872                     | -                       |
| Miscellaneous Income                                                                                 | <u>322,530</u>             | <u>64,722</u>              | <u>-</u>                |
| Total Revenues                                                                                       | <u>4,506,239</u>           | <u>1,750,807</u>           | <u>-</u>                |
| <u>Expenditures</u>                                                                                  |                            |                            |                         |
| Current Operations and Maintenance:                                                                  |                            |                            |                         |
| Security of Persons and Property                                                                     | 856,603                    | 775,207                    | -                       |
| Public Health Services                                                                               | -                          | 75,684                     | -                       |
| Leisure Time Activities                                                                              | -                          | 217,060                    | -                       |
| Community Environment                                                                                | 134,010                    | 53,842                     | -                       |
| Basic Utility Services                                                                               | 19,750                     | -                          | -                       |
| Transportation                                                                                       | 929,192                    | 12,364                     | -                       |
| General Government                                                                                   | 2,033,749                  | 36,236                     | -                       |
| Capital Outlay                                                                                       | 596,935                    | 742,572                    | -                       |
| Debt Service:                                                                                        |                            |                            |                         |
| Principal Retirement                                                                                 | -                          | -                          | 95,000                  |
| Interest and Fiscal Charges                                                                          | <u>-</u>                   | <u>-</u>                   | <u>117,692</u>          |
| Total Expenditures                                                                                   | <u>4,570,239</u>           | <u>1,912,965</u>           | <u>212,692</u>          |
| Excess of Revenues Over (Under) Expenditures                                                         | <u>(64,000)</u>            | <u>(162,158)</u>           | <u>(212,692)</u>        |
| <u>Other Financing Sources (Uses)</u>                                                                |                            |                            |                         |
| Proceeds of Notes                                                                                    | -                          | -                          | -                       |
| Operating Transfers-In                                                                               | -                          | 90,000                     | 579,500                 |
| Operating Transfers-Out                                                                              | <u>(396,130)</u>           | <u>(273,370)</u>           | <u>(364,500)</u>        |
| Total Other Financing Sources (Uses)                                                                 | <u>(396,130)</u>           | <u>(183,370)</u>           | <u>215,000</u>          |
| Excess of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Financing Uses | (460,130)                  | (345,528)                  | 2,308                   |
| Fund Balance at Beginning of Year, Restated                                                          | 1,841,309                  | 1,634,275                  | 33,142                  |
| Increase (Decrease) in Reserve for Inventory                                                         | <u>13,079</u>              | <u>(2,757)</u>             | <u>-</u>                |
| Fund Balance (Deficit) at End of Year                                                                | \$ <u><u>1,394,258</u></u> | \$ <u><u>1,285,990</u></u> | \$ <u><u>35,450</u></u> |

The Accompanying Notes are an Integral Part of These Financial Statements

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| <u>Capital<br/>Projects</u> | <u>Expendable<br/>Trust</u> | <u>Total<br/>(Memorandum<br/>Only)</u> |
|-----------------------------|-----------------------------|----------------------------------------|
| \$ -                        | \$ -                        | \$ 1,040,686                           |
| -                           | -                           | 2,471,452                              |
| -                           | -                           | 100,000                                |
| -                           | -                           | 574,814                                |
| -                           | -                           | 296,854                                |
| -                           | -                           | 18,662                                 |
| -                           | -                           | 883,754                                |
| -                           | -                           | 165,730                                |
| 5,255                       | -                           | 323,097                                |
| <u>-</u>                    | <u>-</u>                    | <u>387,252</u>                         |
| <u>5,255</u>                | <u>-</u>                    | <u>6,262,301</u>                       |
| -                           | -                           | 1,631,810                              |
| -                           | -                           | 75,684                                 |
| -                           | -                           | 217,060                                |
| -                           | -                           | 187,852                                |
| -                           | -                           | 19,750                                 |
| -                           | -                           | 941,556                                |
| -                           | -                           | 2,069,985                              |
| 126,727                     | -                           | 1,466,234                              |
| 1,200,000                   | -                           | 1,295,000                              |
| 45,125                      | -                           | 162,817                                |
| <u>1,371,852</u>            | <u>-</u>                    | <u>8,067,748</u>                       |
| <u>(1,366,597)</u>          | <u>-</u>                    | <u>(1,805,447)</u>                     |
| 900,000                     | -                           | 900,000                                |
| 364,500                     | -                           | 1,034,000                              |
| <u>-</u>                    | <u>-</u>                    | <u>(1,034,000)</u>                     |
| <u>1,264,500</u>            | <u>-</u>                    | <u>900,000</u>                         |
| (102,097)                   | -                           | (905,447)                              |
| (104,755)                   | 22,260                      | 3,426,231                              |
| <u>-</u>                    | <u>-</u>                    | <u>10,322</u>                          |
| \$ <u>(206,852)</u>         | \$ <u>22,260</u>            | \$ <u>2,531,106</u>                    |

# CITY OF CHARDON, OHIO

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2001

|                                                                                                      | General Fund      |                     | Variance<br>Favorable<br>(Unfavorable) |
|------------------------------------------------------------------------------------------------------|-------------------|---------------------|----------------------------------------|
|                                                                                                      | Budget            | Actual              |                                        |
| <u>Revenues</u>                                                                                      |                   |                     |                                        |
| Property Taxes                                                                                       | \$ 307,200        | \$ 331,856          | \$ 24,656                              |
| Municipal Income Tax                                                                                 | 2,520,000         | 2,586,816           | 66,816                                 |
| Other Local Taxes                                                                                    | 1,200             | 1,202               | 2                                      |
| Intergovernmental                                                                                    | 304,400           | 313,230             | 8,830                                  |
| Charges for Services                                                                                 | 640               | 1,025               | 385                                    |
| Licenses and Permits                                                                                 | 17,850            | 18,662              | 812                                    |
| Fines and Forfeitures                                                                                | 757,200           | 770,074             | 12,874                                 |
| Special Assessments                                                                                  | 16,600            | 18,755              | 2,155                                  |
| Investment Income                                                                                    | 255,000           | 269,515             | 14,515                                 |
| Miscellaneous Income                                                                                 | <u>266,400</u>    | <u>331,715</u>      | <u>65,315</u>                          |
| Total Revenue                                                                                        | <u>4,446,490</u>  | <u>4,642,850</u>    | <u>196,360</u>                         |
| <u>Expenditures</u>                                                                                  |                   |                     |                                        |
| Current Operations and Maintenance:                                                                  |                   |                     |                                        |
| Security of Persons and Property                                                                     | 867,412           | 846,470             | 20,942                                 |
| Community Environment                                                                                | 186,740           | 154,265             | 32,475                                 |
| Basic Utility Services                                                                               | 19,750            | 19,750              | -                                      |
| Transportation                                                                                       | 1,057,876         | 976,365             | 81,511                                 |
| General Government                                                                                   | 2,256,888         | 2,107,436           | 149,452                                |
| Capital Outlay                                                                                       | <u>1,017,341</u>  | <u>918,640</u>      | <u>98,701</u>                          |
| Total Expenditures                                                                                   | <u>5,406,007</u>  | <u>5,022,926</u>    | <u>383,081</u>                         |
| Excess of Revenues Over (Under) Expenditures                                                         | (959,517)         | (380,076)           | 579,441                                |
| <u>Other Financing Sources (Uses)</u>                                                                |                   |                     |                                        |
| Operating Transfers-Out                                                                              | <u>(396,130)</u>  | <u>(396,130)</u>    | <u>-</u>                               |
| Excess of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Financing Uses | (1,355,647)       | (776,206)           | 579,441                                |
| Outstanding Encumbrances at Year End                                                                 | 549,751           | 549,751             | -                                      |
| Fund Balance at Beginning of Year                                                                    | <u>1,613,998</u>  | <u>1,613,998</u>    | <u>-</u>                               |
| Fund Balance at End of Year                                                                          | \$ <u>808,102</u> | \$ <u>1,387,543</u> | \$ <u>579,441</u>                      |

Continued

The Accompanying Notes are an Integral Part of These Financial Statements

# CITY OF CHARDON, OHIO

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL GOVERNMENTAL FUND TYPES (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2001

|                                                                                                      | <u>Special Revenue Funds</u> |                     |                                        |
|------------------------------------------------------------------------------------------------------|------------------------------|---------------------|----------------------------------------|
|                                                                                                      | <u>Budget</u>                | <u>Actual</u>       | Variance<br>Favorable<br>(Unfavorable) |
| <u>Revenues</u>                                                                                      |                              |                     |                                        |
| Property Taxes                                                                                       | \$ 639,180                   | \$ 708,830          | \$ 69,650                              |
| Other Local Taxes                                                                                    | 100,000                      | 100,000             | -                                      |
| Intergovernmental                                                                                    | 309,289                      | 316,446             | 7,157                                  |
| Charges for Services                                                                                 | 244,070                      | 296,753             | 52,683                                 |
| Fines and Forfeitures                                                                                | 97,000                       | 101,996             | 4,996                                  |
| Special Assessments                                                                                  | 146,000                      | 146,975             | 975                                    |
| Investment Income                                                                                    | 13,000                       | 21,937              | 8,937                                  |
| Miscellaneous Income                                                                                 | <u>63,900</u>                | <u>64,722</u>       | <u>822</u>                             |
| Total Revenue                                                                                        | <u>1,612,439</u>             | <u>1,757,659</u>    | <u>145,220</u>                         |
| <u>Expenditures</u>                                                                                  |                              |                     |                                        |
| Current Operations and Maintenance:                                                                  |                              |                     |                                        |
| Security of Persons and Property                                                                     | 837,488                      | 809,747             | 27,741                                 |
| Public Health Services                                                                               | 93,643                       | 79,347              | 14,296                                 |
| Leisure Time Activities                                                                              | 224,623                      | 219,621             | 5,002                                  |
| Community Environment                                                                                | 74,360                       | 58,245              | 16,115                                 |
| Transportation                                                                                       | 30,000                       | 20,365              | 9,635                                  |
| General Government                                                                                   | 170,890                      | 138,988             | 31,902                                 |
| Capital Outlay                                                                                       | <u>1,016,599</u>             | <u>811,364</u>      | <u>205,235</u>                         |
| Total Expenditures                                                                                   | <u>2,447,603</u>             | <u>2,137,677</u>    | <u>309,926</u>                         |
| Excess of Revenues Over (Under) Expenditures                                                         | <u>(835,164)</u>             | <u>(380,018)</u>    | <u>455,146</u>                         |
| <u>Other Financing Sources (Uses)</u>                                                                |                              |                     |                                        |
| Operating Transfers-In                                                                               | 90,000                       | 90,000              | -                                      |
| Operating Transfers-Out                                                                              | <u>(273,370)</u>             | <u>(273,370)</u>    | <u>-</u>                               |
| Total Other Financing Sources (Uses)                                                                 | <u>(183,370)</u>             | <u>(183,370)</u>    | <u>-</u>                               |
| Excess of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Financing Uses | (1,018,534)                  | (563,388)           | 455,146                                |
| Outstanding Encumbrances at Year End                                                                 | 312,377                      | 312,377             | -                                      |
| Fund Balance at Beginning of Year                                                                    | <u>1,697,446</u>             | <u>1,697,446</u>    | <u>-</u>                               |
| Fund Balance at End of Year                                                                          | \$ <u>991,289</u>            | \$ <u>1,446,435</u> | \$ <u>455,146</u>                      |

Continued

**CITY OF CHARDON, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL  
GOVERNMENTAL FUND TYPES (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2001**

|                                                                                                      | <u>Debt Service Fund</u> |                         |                                        |
|------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|----------------------------------------|
|                                                                                                      | <u>Budget</u>            | <u>Actual</u>           | Variance<br>Favorable<br>(Unfavorable) |
| <u>Expenditures</u>                                                                                  |                          |                         |                                        |
| Debt Service:                                                                                        |                          |                         |                                        |
| Principal Retirement                                                                                 | \$ 1,595,000             | \$ 1,595,000            | \$ -                                   |
| Interest and Fiscal Charges                                                                          | <u>182,200</u>           | <u>182,192</u>          | <u>8</u>                               |
| Total Expenditures                                                                                   | <u>1,777,200</u>         | <u>1,777,192</u>        | <u>8</u>                               |
| Excess of Revenues Over (Under) Expenditures                                                         | <u>(1,777,200)</u>       | <u>(1,777,192)</u>      | <u>8</u>                               |
| <u>Other Financing Sources (Uses)</u>                                                                |                          |                         |                                        |
| Operating Transfers-In                                                                               | 579,500                  | 579,500                 | -                                      |
| Proceeds from Sale of Debt                                                                           | <u>1,200,000</u>         | <u>1,200,000</u>        | <u>-</u>                               |
| Total Other Financing Sources (Uses)                                                                 | <u>1,779,500</u>         | <u>1,779,500</u>        | <u>-</u>                               |
| Excess of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Financing Uses | 2,300                    | 2,308                   | 8                                      |
| Fund Balance at Beginning of Year                                                                    | <u>33,142</u>            | <u>33,142</u>           | <u>-</u>                               |
| Fund Balance at End of Year                                                                          | \$ <u><u>35,442</u></u>  | \$ <u><u>35,450</u></u> | \$ <u><u>8</u></u>                     |

Continued



**CITY OF CHARDON, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL  
GOVERNMENTAL FUND TYPES (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2001**

|                                              | <u>Capital Projects Funds</u> |                          |                                        |
|----------------------------------------------|-------------------------------|--------------------------|----------------------------------------|
|                                              | <u>Budget</u>                 | <u>Actual</u>            | Variance<br>Favorable<br>(Unfavorable) |
| <u>Revenues</u>                              |                               |                          |                                        |
| Intergovernmental                            | \$ 82,568                     | \$ 58,848                | \$ (23,720)                            |
| Investment Income                            | <u>2,200</u>                  | <u>4,558</u>             | <u>2,358</u>                           |
| Total Revenues                               | <u>84,768</u>                 | <u>63,406</u>            | <u>(21,362)</u>                        |
| <br><u>Expenditures</u>                      |                               |                          |                                        |
| Current Operations and Maintenance:          |                               |                          |                                        |
| Capital Outlay                               | <u>529,821</u>                | <u>521,889</u>           | <u>7,932</u>                           |
| Excess of Revenues Over (Under) Expenditures | (445,053)                     | (458,483)                | (13,430)                               |
| Outstanding Encumbrances at Year End         | 199,807                       | 199,807                  | -                                      |
| Fund Balance at Beginning of Year            | <u>445,254</u>                | <u>445,254</u>           | <u>-</u>                               |
| Fund Balance at End of Year                  | \$ <u><u>200,008</u></u>      | \$ <u><u>186,578</u></u> | \$ <u><u>(13,430)</u></u>              |

# CITY OF CHARDON, OHIO

## COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY – ALL PROPRIETARY FUND AND NON-EXPENDABLE TRUST FUND TYPES

### FOR THE YEAR ENDED DECEMBER 31, 2001

|                                          | <u>Enterprise</u>   | <u>Nonexpendable<br/>Trust Fund</u> | <u>Total<br/>(Memorandum<br/>Only)</u> |
|------------------------------------------|---------------------|-------------------------------------|----------------------------------------|
| <u>Operating Revenues</u>                |                     |                                     |                                        |
| Charges for Services                     | \$ 2,170,659        | \$ -                                | \$ 2,170,659                           |
| Miscellaneous Income                     | <u>24,939</u>       | <u>-</u>                            | <u>24,939</u>                          |
| Total Operating Revenues                 | <u>2,195,598</u>    | <u>-</u>                            | <u>2,195,598</u>                       |
| <u>Operating Expenses</u>                |                     |                                     |                                        |
| Personal Services                        | 898,051             | -                                   | 898,051                                |
| Supplies and Materials                   | 106,282             | 249                                 | 106,531                                |
| Travel and Education                     | 5,824               | -                                   | 5,824                                  |
| Contractual Services                     | 172,021             | -                                   | 172,021                                |
| Utilities                                | 259,375             | -                                   | 259,375                                |
| Depreciation                             | 177,734             | -                                   | 177,734                                |
| Capital Outlay                           | <u>219,074</u>      | <u>-</u>                            | <u>219,074</u>                         |
| Total Operating Expenses                 | <u>1,838,361</u>    | <u>249</u>                          | <u>1,838,610</u>                       |
| Operating Income (Loss)                  | <u>357,237</u>      | <u>(249)</u>                        | <u>356,988</u>                         |
| <u>Non-Operating Revenues (Expenses)</u> |                     |                                     |                                        |
| Investment Income                        | 210,278             | 589                                 | 210,867                                |
| Interest and Fiscal Charges              | <u>(200,016)</u>    | <u>-</u>                            | <u>(200,016)</u>                       |
| Total Non-Operating Revenues (Expenses)  | <u>10,262</u>       | <u>589</u>                          | <u>10,851</u>                          |
| Income Before Operating Transfers        | <u>367,499</u>      | <u>340</u>                          | <u>367,839</u>                         |
| <u>Operating Transfers</u>               |                     |                                     |                                        |
| Operating Transfers-In                   | 317,385             | -                                   | 317,385                                |
| Operating Transfers-Out                  | <u>(317,385)</u>    | <u>-</u>                            | <u>(317,385)</u>                       |
| Total Operating Transfers                | <u>-</u>            | <u>-</u>                            | <u>-</u>                               |
| Net Income                               | 367,499             | 340                                 | 367,839                                |
| Retained Earnings at Beginning of Year   | <u>7,610,416</u>    | <u>19,296</u>                       | <u>7,629,712</u>                       |
| Retained Earnings at End of Year         | \$ <u>7,977,915</u> | \$ <u>19,636</u>                    | \$ <u>7,977,551</u>                    |

The Accompanying Notes are an Integral Part of These Financial Statements

# CITY OF CHARDON, OHIO

## COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL PROPRIETARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2001

|                                                                                                  | <u>Enterprise Funds</u> |                     |                                                 |
|--------------------------------------------------------------------------------------------------|-------------------------|---------------------|-------------------------------------------------|
|                                                                                                  | <u>Budget</u>           | <u>Actual</u>       | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
| <u>Revenues</u>                                                                                  |                         |                     |                                                 |
| Charges for Services                                                                             | \$ 2,098,950            | \$ 2,150,912        | \$ 51,962                                       |
| Investment Income                                                                                | 203,300                 | 208,791             | 5,491                                           |
| Miscellaneous Income                                                                             | <u>24,050</u>           | <u>24,939</u>       | <u>889</u>                                      |
| Total Revenue                                                                                    | <u>2,326,300</u>        | <u>2,384,642</u>    | <u>58,342</u>                                   |
| <u>Expenses</u>                                                                                  |                         |                     |                                                 |
| Personal Services                                                                                | 903,020                 | 874,337             | 28,683                                          |
| Supplies and Materials                                                                           | 186,008                 | 143,487             | 42,521                                          |
| Travel and Education                                                                             | 14,680                  | 5,824               | 8,856                                           |
| Contractual Services                                                                             | 377,373                 | 293,216             | 84,157                                          |
| Utilities                                                                                        | 256,740                 | 228,286             | 28,454                                          |
| Capital Outlay                                                                                   | 7,278,499               | 6,592,562           | 685,937                                         |
| Debt Service:                                                                                    |                         |                     |                                                 |
| Principal Retirement                                                                             | 261,600                 | 261,034             | 566                                             |
| Interest and Fiscal Charges                                                                      | <u>201,000</u>          | <u>200,016</u>      | <u>984</u>                                      |
| Total Expenses                                                                                   | <u>9,478,920</u>        | <u>8,598,762</u>    | <u>880,158</u>                                  |
| Excess of Revenues Over (Under) Expenses                                                         | <u>(7,152,620)</u>      | <u>(6,214,120)</u>  | <u>938,500</u>                                  |
| <u>Other Financing Sources (Uses)</u>                                                            |                         |                     |                                                 |
| Operating Transfers-In                                                                           | 450,000                 | 450,000             | -                                               |
| Operating Transfers-Out                                                                          | (450,000)               | (450,000)           | -                                               |
| Proceeds from Sale of Debt                                                                       | <u>6,457,637</u>        | <u>5,179,615</u>    | <u>(1,278,022)</u>                              |
| Total Other Financing Sources (Uses)                                                             | <u>6,457,637</u>        | <u>5,179,615</u>    | <u>(1,278,022)</u>                              |
| Excess of Revenues and Other Financing Sources<br>Over (Under) Expenses and Other Financing Uses | (694,983)               | (1,034,505)         | (339,522)                                       |
| Outstanding Encumbrances at End of Year                                                          | 1,271,430               | 1,271,430           | -                                               |
| Fund Balance at Beginning of Year                                                                | <u>4,989,552</u>        | <u>4,989,552</u>    | <u>-</u>                                        |
| Fund Balance at End of Year                                                                      | \$ <u>5,565,999</u>     | \$ <u>5,226,477</u> | \$ <u>(339,522)</u>                             |

The Accompanying Notes are an Integral Part of These Financial Statements

# CITY OF CHARDON, OHIO

## COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND AND NON-EXPENDABLE TRUST FUND TYPES

**FOR THE YEAR ENDED DECEMBER 31, 2001**

|                                                                         | <u>Enterprise</u>   | Non-Expendable<br>Trust<br><u>Fund</u> | Total<br>(Memorandum<br>Only) |
|-------------------------------------------------------------------------|---------------------|----------------------------------------|-------------------------------|
| <u>Cash Flows From Operating Activities</u>                             |                     |                                        |                               |
| Cash Received from Customers                                            | \$ 2,150,912        | \$ -                                   | \$ 2,150,912                  |
| Cash Payments for Personal Services                                     | (874,337)           | -                                      | (874,337)                     |
| Cash Payments for Travel and Education                                  | (5,824)             | -                                      | (5,824)                       |
| Cash Payments for Contractual Services                                  | (518,332)           | -                                      | (518,332)                     |
| Cash Payments to Vendors for Supplies and Materials                     | (127,355)           | (249)                                  | (127,604)                     |
| Cash Payments for Utilities                                             | (228,286)           | -                                      | (228,286)                     |
| Other Operating Revenues                                                | <u>24,939</u>       | <u>-</u>                               | <u>24,939</u>                 |
| Net Cash Provided by (Used in)<br>Operating Activities                  | <u>421,717</u>      | <u>(249)</u>                           | <u>421,468</u>                |
| <br><u>Cash Flows From Capital and<br/>Related Financing Activities</u> |                     |                                        |                               |
| Proceeds from WPCL Loan                                                 | 5,179,615           | -                                      | 5,179,615                     |
| Principal Paid on WPCL Loan                                             | (248,434)           | -                                      | (248,434)                     |
| Principal Paid on OPWC Loan                                             | (12,600)            | -                                      | (12,600)                      |
| Interest Paid on WPCL Loan                                              | (200,016)           | -                                      | (200,016)                     |
| Acquisition of Capital Assets                                           | <u>(5,112,148)</u>  | <u>-</u>                               | <u>(5,112,148)</u>            |
| Net Cash Used in Capital and<br>Related Financing Activities            | <u>(393,583)</u>    | <u>-</u>                               | <u>(393,583)</u>              |
| <br><u>Cash Flows From Investing Activities</u>                         |                     |                                        |                               |
| Interest Received                                                       | <u>241,778</u>      | <u>643</u>                             | <u>242,421</u>                |
| <br><u>Cash Flows From Non-Capital Financing Activities</u>             |                     |                                        |                               |
| Operating Transfers - In                                                | 450,000             | -                                      | 450,000                       |
| Operating Transfers - Out                                               | <u>(450,000)</u>    | <u>-</u>                               | <u>(450,000)</u>              |
| Net Increase in Cash and Cash Equivalents                               | 269,912             | 394                                    | 270,306                       |
| Cash and Cash Equivalents at Beginning of Year                          | <u>4,964,387</u>    | <u>19,218</u>                          | <u>4,983,605</u>              |
| Cash and Cash Equivalents at End of Year                                | \$ <u>5,234,299</u> | \$ <u>19,612</u>                       | \$ <u>5,253,911</u>           |

Continued

## CITY OF CHARDON, OHIO

### COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND AND NON-EXPENDABLE TRUST FUND TYPES (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2001**

|                                                                                            | <u>Enterprise</u> | Non-Expendable<br>Trust<br><u>Fund</u> | Total<br>(Memorandum<br>Only)<br><u>Only)</u> |
|--------------------------------------------------------------------------------------------|-------------------|----------------------------------------|-----------------------------------------------|
| <u>Reconciliation of Operating Income (Loss) to Net Cash<br/>From Operating Activities</u> |                   |                                        |                                               |
| Operating Income (Loss)                                                                    | \$ 357,237        | \$ (249)                               | \$ 356,988                                    |
| Adjustment to Reconcile Operating Income (Loss) to<br>Net Cash From Operating Activities:  |                   |                                        |                                               |
| Depreciation                                                                               | 177,734           | -                                      | 177,734                                       |
| Changes in Assets and Liabilities:                                                         |                   |                                        |                                               |
| Increase in Accounts Receivable                                                            | (19,749)          | -                                      | (19,749)                                      |
| Decrease in Intergovernmental Receivable                                                   | 76,215            | -                                      | 76,215                                        |
| Increase in Material and Supplies Inventory                                                | (20,422)          | -                                      | (20,422)                                      |
| Decrease in Accounts Payable                                                               | (173,012)         | -                                      | (173,012)                                     |
| Increase in Accrued Pension                                                                | 16,830            | -                                      | 16,830                                        |
| Increase in Accrued Wages and Benefits                                                     | 9,341             | -                                      | 9,341                                         |
| Increase in Compensated Absences                                                           | 8,311             | -                                      | 8,311                                         |
| Decrease in Due to Other Governments                                                       | <u>(10,768)</u>   | <u>-</u>                               | <u>(10,768)</u>                               |
| Net Cash Provided by (Used in)<br>Operating Activities                                     | \$ <u>421,717</u> | \$ <u>(249)</u>                        | \$ <u>421,468</u>                             |
|                                                                                            |                   |                                        |                                               |
| Cash and Cash Equivalents in Non-Expendable Trust                                          | \$ 19,612         |                                        |                                               |
| Cash and Cash Equivalents in Expendable Trust                                              |                   | 22,260                                 |                                               |
| Cash and Cash Equivalents in Agency Funds                                                  |                   | <u>169,638</u>                         |                                               |
| Cash and Cash Equivalents in Trust and Agency Funds                                        |                   | <u>\$ 211,510</u>                      |                                               |

The Accompanying Notes are an Integral Part of These Financial Statements

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# **CITY OF CHARDON, OHIO**

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

**DECEMBER 31, 2001**

---

### NOTE 1 – THE REPORTING ENTITY

The City of Chardon is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a council-manager form of government, was adopted April 25, 1978. Effective April 29, 2001, the Village of Chardon became a city based on the 2000 Census.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Chardon, this includes police protection, parks and recreation, planning, zoning, street maintenance and repair, water and sewer utilities, municipal court and general administrative services. The City's departments include a public safety department, a public service department, a street maintenance department, a sanitation system, a parks and recreation department, a planning and zoning department, and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The City contracts with the Chardon Volunteer Fire Department, Inc. to provide fire service and ambulance services. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process.

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. 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.

#### The Chardon Municipal Court

The City budgets and appropriates funds for the operation of the Court and is ultimately responsible for any operating deficits sustained by the Court. The City's share of the fines collected by the Court along with its share of the Court's administrative and operating costs are recorded pursuant to State law in the City's General Fund. Due to this relationship, the Court is not considered a component unit of the City but rather as part of the primary government unit itself. Monies held by the Court in a fiduciary capacity are recorded as an agency fund in the accompanying financial statements.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2001**

---

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. BASIS OF PRESENTATION – FUND ACCOUNTING

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a set of self-balancing accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

#### GOVERNMENTAL FUNDS

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

##### GENERAL FUND

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

##### SPECIAL REVENUE FUNDS

The special revenue funds are used to account for revenues derived from specific taxes, grants, or other sources (other than amounts relating to major capital projects) whose use is restricted. The uses and limitations of each special revenue fund are specified by City ordinances or federal and state statutes.

##### DEBT SERVICE FUNDS

The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

##### CAPITAL PROJECTS FUNDS

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



# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2001**

---

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. BASIS OF PRESENTATION – FUND ACCOUNTING (CONTINUED)

##### PROPRIETARY FUNDS

The proprietary fund is used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following is the City's proprietary fund type:

##### ENTERPRISE FUND

The enterprise fund is used to account for the City's water and sewer operations. It is financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

##### FIDUCIARY FUNDS

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the City to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable.

##### ACCOUNT GROUPS

To make a clear distinction between fixed assets related to a specific fund 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 fixed assets other than those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure.

##### GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

The general long-term obligations account group is used to account for all unmatured long-term obligations of the City that are not a specific liability of the proprietary funds.

# **CITY OF CHARDON, OHIO**

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2001**

---

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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 funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, state-levied locally shared taxes, fines and forfeitures, and income taxes earned.

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. Special assessment installments are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 2001 and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have also been recorded as deferred revenue.

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

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2001

---

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The proprietary fund types and nonexpendable trust funds utilize the accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year-end.

##### C. BUDGETARY PROCESS

The City follows these procedures in establishing the budgetary data reported in the combined financial statements:

###### TAX BUDGET

A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. All funds, except Agency funds, are legally required to be budgeted.

###### ESTIMATED RESOURCES

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. 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.

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if money from a new revenue source is received or if actual receipts exceed current estimates. The amounts set forth in the financial statements represent estimates from the final amended certificate issued for 2001.

###### APPROPRIATIONS

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations. One supplemental appropriation measure was legally enacted during 2001 by Council.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2001**

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. BUDGETARY PROCESS (CONTINUED)

##### BUDGETED LEVEL OF EXPENDITURE

The primary level of budget control is at the fund level. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. The appropriations set by Council must remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the City Manager or Finance Director as long as the allocations are within Council's appropriated amount.

##### ENCUMBRANCES

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds, and as a note disclosure for proprietary funds.

##### LAPSING OF APPROPRIATIONS

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over for the subsequent year's expenditures and need not be re-appropriated.

#### D. CASH AND CASH EQUIVALENTS

The City pools individual cash balances in a bank account and short-term cash equivalents for investment purposes. These balances are reported at fair value.

Following Ohio statutes, the City has specified the funds to receive an allocation of interest earnings. This allocation is based on the individual investments as to which fund or funds the investment relates.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments with original maturities of three months or less are considered to be cash equivalents.

#### E. INVENTORY

Inventory is valued at cost on a first-in, first-out basis. At December 31, 2001, the General, and the Enterprise Fund maintained the only significant inventory. The costs of governmental fund type inventories are recorded as expenditures in the fund when purchased. The reserve for inventory indicates that a portion of the fund balance is not available for future expenditures. For proprietary funds, inventory is expended when consumed.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2001

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### F. FIXED ASSETS

The fixed asset values were initially determined at December 31, 1999, by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at fair value on the date donated.

##### GENERAL FIXED ASSETS

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Assets in the general fixed assets account group are not depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost in the general fixed asset account group.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the government. In addition, intangible assets such as software and licenses are not capitalized.

##### PROPRIETARY FUND FIXED ASSETS

Fixed assets associated with the water and sewer enterprise fund activities are accounted for in those funds. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. The assets of the water and sewer enterprise funds are depreciated on the following basis:

|                         | <u>Years</u> |
|-------------------------|--------------|
| Buildings               | 30 – 50      |
| Machinery and Equipment | 5 – 15       |
| Vehicles                | 5 – 8        |

##### CAPITALIZATION OF INTEREST

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2001**

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### G. INTERGOVERNMENTAL REVENUES

In governmental funds, federal grants awarded on a non-reimbursement basis and federal entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Federal reimbursable-type grants are recorded as intergovernmental receivables and revenues in the period when all applicable eligibility requirements have been met and the resources are available.

#### H. INTERFUND ASSETS AND LIABILITIES

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

#### I. COMPENSATED ABSENCES

In conformity with GASB Statement No. 16, the City accrues vacation and compensatory time benefits as earned by its employees if the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Likewise, the City accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the pay rates in effect at December 31, 2001. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Employees are encouraged to use their vacation leave within one year from their anniversary date, but are entitled to carryover eighty hours into the next year. Employees are also entitled to a cash payment for any unused vacation leave, limited to 1/2 of the total leave earned during that year. Accordingly, all accrued vacation pay is considered to be a current liability. City employees are paid for earned, unused vacation leave at the time of the termination of their employment.

Full-time employees earn 10 hours of sick leave a month. Part-time employees do not earn sick leave, but are entitled to all of the hours earned from their start date if they do become full-time employees. Employees hired prior to July 21, 1983 with over 10 years of service and eligible to retire are entitled to 1/3 of their accumulated unused sick hours up to 960 hours. Employees hired subsequent to July 21, 1983 with over 10 years of service and eligible to retire are entitled to 1/4 of their accumulated unused sick hours up to 400 hours. Individuals leaving the employment of the City prior to meeting these eligibility requirements lose their accumulated sick leave.

For governmental funds, the City provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using available expendable resources, and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2001**

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. COMPENSATED ABSENCES (CONTINUED)

In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

#### J. 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.

#### K. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

Nonrecurring and nonroutine transfers of equity between funds, capital contributions to the Enterprise or Internal Service funds, the subsequent return of all or part of such contributions, and the transfer of residual balances of discontinued funds or projects to the General fund, Capital Projects fund, or Debt Service funds (when financed with debt proceeds) are classified as residual equity transfers.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

#### L. FUND EQUITY

Reserves of fund equity in governmental funds indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances and inventory of supplies and materials.

#### M. ESTIMATES

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

# **CITY OF CHARDON, OHIO**

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2001**

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### N. MEMORANDUM ONLY – TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS

Total columns on the Combined Financial Statements are captioned “(Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position 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 – 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), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statements of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – All Governmental Fund Types and the Statement of Revenues, Expenses, and Changes in Fund Balance – Budget and Actual – All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental Funds, and note disclosure for Proprietary Funds (GAAP basis).



# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2001**

### NOTE 3 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

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

|                             | <u>Excess of Revenues and Other Financing Sources Over<br/>(Under) Expenditures and Other Financing Uses</u> |                            |                         |                             |
|-----------------------------|--------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------|-----------------------------|
|                             | <u>General</u>                                                                                               | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |
| GAAP Basis                  | \$ (460,130)                                                                                                 | \$ (345,528)               | \$ 2,308                | \$ (102,097)                |
| Increase (Decrease) Due To: |                                                                                                              |                            |                         |                             |
| Revenue Accruals            | 136,611                                                                                                      | 6,852                      | 1,200,000               | (1,206,349)                 |
| Expenditure Accruals        | 97,064                                                                                                       | 87,665                     | (1,200,000)             | 1,049,770                   |
| Outstanding Encumbrances    | <u>(549,751)</u>                                                                                             | <u>(312,377)</u>           | <u>-</u>                | <u>(199,807)</u>            |
| Budget Basis                | \$ <u>(776,206)</u>                                                                                          | \$ <u>(563,388)</u>        | \$ <u>2,308</u>         | \$ <u>(458,483)</u>         |

|                             | <u>Excess Revenues Over (Under) Expenses,<br/>Advances and Transfers/Net Income (Loss)</u> |
|-----------------------------|--------------------------------------------------------------------------------------------|
|                             | <u>Proprietary Fund Type<br/>Enterprise</u>                                                |
| Net Income                  | \$ 367,499                                                                                 |
| Increase (Decrease) Due To: |                                                                                            |
| Revenue Accruals            | 5,290,996                                                                                  |
| Expenses Accruals           | (5,599,304)                                                                                |
| Outstanding Encumbrances    | (1,271,430)                                                                                |
| Depreciation Expense        | <u>177,734</u>                                                                             |
| Budget Basis                | \$ <u>(1,034,505)</u>                                                                      |

### NOTE 4 – DEPOSITS AND INVESTMENTS

The City's Charter specifies that investments of the City will adhere to State statutes. Under these statutes, the Finance Director is responsible for selecting depositories and investing funds. The City, by statute, is to limit deposits and investments of City funds to insured demand deposit accounts, certificates of deposit, United States treasury bills, or obligations of other United States governmental agencies for which the principal and interest is guaranteed by the United States government, and repurchase agreements.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2001

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#### NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 selling short are also prohibited. An investment must mature within 5 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.

Protection of City cash and investments is provided by the various federal deposit insurance corporations as well as qualified securities pledged by the institutions holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. At least quarterly the City determines that the collateral has a market value adequate to cover the deposits. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of the City's deposits was \$634,820 and the bank balance was \$817,921. Of the bank balance:

1. \$200,000 was covered by the federal depository insurance, by collateral held by the City or by collateral held by a qualified third party trustee in the name of the City.
2. \$617,921 was uninsured and uncollateralized as defined by the GASB because the collateral pledged by the financial institutions or their trust departments or agents is not in the City's name.

The City's investments are detailed below and are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

| <u>Description</u>                                | <u>Risk<br/>Category 3</u> | <u>Carrying<br/>Amount</u> | <u>Fair<br/>Value</u> |
|---------------------------------------------------|----------------------------|----------------------------|-----------------------|
| State Treasurer's Investment<br>Pool (STAROhio) * | \$ -                       | \$ 5,864,197               | \$ 5,864,197          |
| U.S. Government Securities                        | <u>2,013,888</u>           | <u>2,013,888</u>           | <u>2,013,888</u>      |
| * Noncategorized                                  | \$ <u>2,013,888</u>        | \$ <u>7,878,085</u>        | \$ <u>7,878,085</u>   |

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, 2001.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2001

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#### NOTE 5 – INCOME TAXES

The City levies a 1 percent income tax on substantially all earned income within the City as well as on income of residents that is earned outside the City. Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City's agent, Central Collection Agency (CCA), either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax liability quarterly and file a final return annually. All income tax proceeds are recorded in the General Fund.

#### NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable the following June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Chardon. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2001, was \$11.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

| Category          | <u>Assessed Value</u> |
|-------------------|-----------------------|
| Real Estate       | \$ 110,576,480        |
| Public Utility    | 4,035,600             |
| Tangible Personal | <u>24,669,570</u>     |
| Total             | \$ <u>139,281,650</u> |

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2001

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#### NOTE 7 – FIXED ASSETS

##### A. GENERAL FIXED ASSETS

Changes in general fixed assets during 2001 were as follows:

|                          | <u>Balances</u><br><u>1-1-01</u> | <u>Additions</u>  | <u>Reductions</u> | <u>Balances</u><br><u>12-31-01</u> |
|--------------------------|----------------------------------|-------------------|-------------------|------------------------------------|
| Land                     | \$ 1,518,431                     | \$ 10,000         | \$ -              | \$ 1,528,431                       |
| Land Improvements        | 490,052                          | 108,799           | -                 | 598,851                            |
| Buildings                | 4,017,387                        | 36,126            | -                 | 4,053,513                          |
| Machinery and Equipment  | 804,069                          | 282,852           | 6,746             | 1,080,175                          |
| Vehicles                 | <u>586,694</u>                   | <u>94,956</u>     | <u>34,086</u>     | <u>647,564</u>                     |
| Subtotal                 | 7,416,633                        | 532,733           | 40,832            | 7,908,534                          |
| Construction in Progress | <u>1,580,902</u>                 | <u>209,024</u>    | <u>-</u>          | <u>1,789,926</u>                   |
| Total                    | \$ <u>8,997,535</u>              | \$ <u>741,757</u> | \$ <u>40,832</u>  | \$ <u>9,698,460</u>                |

##### B. ENTERPRISE FUND FIXED ASSETS

A summary of proprietary fund type property, plant and equipment at December 31, 2001 were as follows:

|                                                 | <u>Balances</u><br><u>12-31-01</u> |
|-------------------------------------------------|------------------------------------|
| Land                                            | \$ 81,504                          |
| Land Improvements                               | 113,405                            |
| Buildings                                       | 3,445,468                          |
| Machinery and Equipment                         | 1,891,950                          |
| Vehicles                                        | 199,547                            |
| Construction in Progress                        | <u>11,980,364</u>                  |
|                                                 | 17,712,238                         |
| Less:                                           |                                    |
| Accumulated Depreciation                        | <u>(2,885,600)</u>                 |
| Fixed Assets Net of<br>Accumulated Depreciation | \$ <u>14,826,638</u>               |

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2001

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#### NOTE 8 – DEFINED BENEFIT PENSION PLANS

##### A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City of Chardon contributes to the Public Employees Retirement System of Ohio (the “System”), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. The System 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. The System issues a stand-alone financial report. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4042 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2001 and 2000 employer contribution rates for local governments were 13.55 and 10.84 percent, respectively, of covered payroll. The City’s contributions to the System for the years ended December 31, 2001, 2000 and 1999 were \$233,548, \$169,841, and \$200,399, respectively, equal to the required contributions for each year.

##### B. OHIO POLICE AND FIRE PENSION FUND

The City of Chardon contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F 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 are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. The City of Chardon’s contributions to OP&F for the years ending December 31, 2001, 2000 and 1999 were \$104,181, \$98,693, and \$87,217, respectively, equal to the required contributions for each year.

#### NOTE 9 – POSTEMPLOYMENT BENEFITS

##### A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement 12. A portion of each employer’s contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.55 percent of covered payroll; 4.30 percent was the portion used to fund health care for the year. During 2001, the City’s portion that was used to fund health care was \$108,568, representing 4.3 percent of covered payroll.

# **CITY OF CHARDON, OHIO**

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### **DECEMBER 31, 2001**

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#### **NOTE 9 – POSTEMPLOYMENT BENEFITS (CONTINUED)**

##### **A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

The postretirement health care coverage is advance-funded on an actuarially determined basis. The following assumptions and calculations were based on PERS's latest actuarial review performed as of December 31, 2000; an entry age normal actuarial cost method of valuation is used in determining the present value of benefit liabilities; the difference between assumed and actual experience is part of the unfunded actuarial accrued liability; the investment assumption rate for 2000 was 7.75 percent; all investments are carried at market value; for actuarial valuation purposes, a smoothed market approach is used – meaning that assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets; individual pay increases are assumed to increase 4.75 percent compounded annually, with no change in the number of active employees; annual pay increases over and above the 4.75 percent base increase were assumed to range from 0.54 percent to 5.1 percent; and health care costs are assumed to increase 4.75 percent annually. The actuarially accrued postretirement health care liability for PERS at December 31, 2000 was \$14,364,600,000. The net assets were \$11,735,900,000, leaving an unfunded actuarial accrued liability of \$2,628,700,000. The number of active participants was 411,076.

##### **B. OHIO POLICE AND FIRE PENSION FUND**

The Ohio Police and Fire Pension Fund (“OP&F”) provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (“OPEB”) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll. The Ohio Revised Code provides the statutory authority allowing the Ohio Police and Fire Pension Fund's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.25 percent and 7.50 percent of covered payroll in 2000 and 2001, respectively. The allocation is 7.75 percent in 2002. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2000, the date of the last actuarial valuation available, was 12,853 for police. The City's actual contributions for 2001 that were used to fund post-employment benefits were \$40,069 for police. OP&F's total health care expenses for the year ending December 31, 2000, the date of the last actuarial valuation available, was \$106,160,054, which was net of member contributions of \$5,657,431.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2001

#### NOTE 10 – DEBT OBLIGATIONS

##### A. NOTE DEBT

Note debt activity for the year ended December 31, 2001 consisted of the following:

|                                                       | Balance<br>December 31,<br><u>2000</u> | Issued<br>(Retired) | Balance<br>December 31,<br><u>2001</u> |
|-------------------------------------------------------|----------------------------------------|---------------------|----------------------------------------|
| <u>GENERAL OBLIGATION NOTES</u>                       |                                        |                     |                                        |
| 4.30% 2001 Building Improvements,<br>maturing 2/22/01 | \$ 1,500,000                           | \$ (1,500,000)      | \$ -                                   |
| 3.50% 2001 Building Improvements,<br>maturing 2/21/02 | <u>-</u>                               | <u>1,200,000</u>    | <u>1,200,000</u>                       |
| Total General Obligations Notes                       | \$ <u>1,500,000</u>                    | \$ <u>(300,000)</u> | \$ <u>1,200,000</u>                    |

The City will refinance \$900,000 of the Notes (see Note 15)

##### B. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2001 was as follows:

|                                                                 | Balance<br>December 31,<br><u>2000</u> | Issued<br>(Retired) | Balance<br>December 31,<br><u>2001</u> |
|-----------------------------------------------------------------|----------------------------------------|---------------------|----------------------------------------|
| <u>GENERAL OBLIGATION BOND</u>                                  |                                        |                     |                                        |
| 4.10% Municipal Building Improvements,<br>maturing 2015         | \$ <u>2,125,000</u>                    | \$ <u>(95,000)</u>  | \$ <u>2,030,000</u>                    |
| Total General Obligation Bond                                   | \$ <u>2,125,000</u>                    | \$ <u>(95,000)</u>  | \$ <u>2,030,000</u>                    |
| <u>OTHER LONG-TERM OBLIGATIONS</u>                              |                                        |                     |                                        |
| Compensated Absences                                            | \$ 164,158                             | \$ 15,454           | \$ 179,612                             |
| 0% Ohio Public Works Commission – Park Avenue<br>Reconstruction | \$ <u>476,280</u>                      | \$ <u>-</u>         | \$ <u>476,280</u>                      |
| Total Other Long-Term Obligations                               | \$ <u>640,438</u>                      | \$ <u>15,454</u>    | \$ <u>655,892</u>                      |
| <u>Enterprise Fund Debt</u>                                     |                                        |                     |                                        |
| 2.975% Ohio Water Development Authority Loan                    | \$ 7,595,507                           | \$ 4,861,138        | \$ -                                   |
|                                                                 | -                                      | (248,434)           | 12,208,211                             |
| 0% Ohio Public Works Commission –<br>Issue II Loans             | <u>93,600</u>                          | <u>(12,600)</u>     | <u>81,000</u>                          |
| Total Enterprise Fund Debt                                      | \$ <u>7,689,107</u>                    | \$ <u>4,600,104</u> | \$ <u>12,289,211</u>                   |
| Total All Long-Term Obligations                                 | \$ <u>10,454,545</u>                   | \$ <u>4,520,558</u> | \$ <u>14,975,103</u>                   |

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2001

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#### NOTE 10 – DEBT OBLIGATIONS (CONTINUED)

##### B. OTHER LONG-TERM OBLIGATIONS (CONTINUED)

The Ohio Public Works Commission (“OPWC”) Park Avenue Reconstruction Loan relates to construction on City streets. OPWC has authorized up to \$500,000 in loans to the City for this project. The loan will be repaid from the debt service fund in semiannual installments of \$12,500 over 20 years, ending in 2020.

The Ohio Water Development Authority (“OWDA”) loan relates to a wastewater treatment plant expansion and upgrade project. The upgrade portion of the project was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$13,500,000 in loans to the City for this project. Although the repayment schedule has not yet been established for the loan, the City made a \$248,434 payment of principal during 2001. The OWDA loan will be repaid from the Enterprise Fund. The City has agreed to set utility rates and fees sufficient to cover OWDA debt service requirements. Approximately two-thirds of the revenue will be generated through a system development charge to all of the new developments in an effort to fund the expansion portion of the project. The remaining one-third of the revenue will be generated by a surcharge to the existing users that will be used for the upgrade portion of the project.

The Ohio Public Works Commission Issue II Loans relate to water main replacements for South Hambden and Wilson Mills streets. The South Hambden street loan will be repaid in semiannual installments of \$5,000 over 10 years, ending in 2007. The Wilson Mills street loan will be repaid from the Enterprise Fund in semiannual installments of \$1,300 over 20 years, ending in 2012.

Principal and interest payments on General Obligation Notes and General Obligation Bonds are paid out of the Debt Service Fund. The long term portion of unpaid compensated absences will be paid from the fund from which the individuals who have accumulated the unpaid compensated absences are paid.

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2001 were as follows:

| <u>Year</u> | <u>General Obligation Bond</u> |                   | <u>OPWC<br/>Loan</u> | <u>Enterprise Fund<br/>OPWC Loans</u> |
|-------------|--------------------------------|-------------------|----------------------|---------------------------------------|
|             | <u>Principal</u>               | <u>Interest</u>   |                      |                                       |
| 2002        | \$ 100,000                     | \$ 113,680        | \$ 25,000            | \$ 12,600                             |
| 2003        | 105,000                        | 108,980           | 25,000               | 12,600                                |
| 2004        | 110,000                        | 103,940           | 25,000               | 12,600                                |
| 2005        | 115,000                        | 98,550            | 25,000               | 12,600                                |
| 2006        | 125,000                        | 92,800            | 25,000               | 12,600                                |
| 2007-2011   | 730,000                        | 348,290           | 125,000              | 18,000                                |
| 2012-2016   | 745,000                        | 111,360           | 125,000              | -                                     |
| 2017-2020   | -                              | -                 | 101,280              | -                                     |
| Totals      | \$ <u>2,030,000</u>            | \$ <u>977,600</u> | \$ <u>476,280</u>    | \$ <u>81,000</u>                      |

#### NOTE 11 – RISK MANAGEMENT

The City has obtained commercial insurance coverage for comprehensive property and general liability, vehicles, and errors and omissions.



# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2001

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#### NOTE 11 – RISK MANAGEMENT (CONTINUED)

The City also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

#### NOTE 12 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The operations of the Enterprise Funds are accounted for, financed and recorded in a manner similar to that of private enterprises whereby it is the City's intent that the costs of providing these goods or services be financed primarily through user charges.

Segment information for the Enterprise Funds is summarized as follows:

For the Year Ended December 31, 2001:

|                           | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---------------------------|--------------|--------------|--------------|
| Operating Revenues        | \$ 725,619   | \$ 1,469,979 | \$ 2,195,598 |
| Depreciation Expense      | 37,123       | 140,611      | 177,734      |
| Operating Income          | 34,376       | 322,861      | 357,237      |
| Net Income                | 34,376       | 333,123      | 367,499      |
| Operating Transfers – In  | 317,385      | -            | 317,385      |
| Operating Transfers – Out | -            | 317,385      | 317,385      |

As of December 31, 2001:

|                               |           |            |            |
|-------------------------------|-----------|------------|------------|
| Acquisition of Capital Assets | 88,637    | 5,023,511  | 5,112,148  |
| Net Working Capital           | 1,521,997 | 3,918,491  | 5,440,488  |
| Total Assets                  | 2,066,824 | 18,813,152 | 20,879,976 |
| Loans Outstanding             | 81,000    | 12,208,211 | 12,289,211 |
| Total Fund Equity             | 1,856,682 | 6,121,233  | 7,977,915  |

#### NOTE 13 – CONTINGENCIES

The City receives financial assistance through Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, it is the opinion of the City's Management that such disallowed claims will not materially adversely affect the City's financial condition.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2001

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#### NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR FUND BALANCES

For 2001, the City implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In order to recognize the change in accounting principle, the beginning of the year fund balances were restated as follows:

|                                           | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Funds</u> |
|-------------------------------------------|-------------------------|--------------------------------------|
| Fund Balances, December 31, 2000          | \$ 1,926,820            | \$ 1,797,293                         |
| GASB 33 Adjustment:                       |                         |                                      |
| Taxes Receivable                          | (93,600)                | (171,000)                            |
| Due from Other Governments                | <u>8,089</u>            | <u>7,982</u>                         |
| Adjusted Fund Balances, December 31, 2001 | \$ <u>1,841,309</u>     | \$ <u>1,634,275</u>                  |

#### NOTE 15– SUBSEQUENT EVENT

In February 2002, the City retired \$1,200,000 in General Obligation Notes and reissued \$900,000 in General Obligation Notes. Also in February 2002, the City issued \$1,000,000 in Redevelopment Taxable Bond Anticipation Notes. Both new notes will mature in February 2003.

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# CITY OF CHARDON, OHIO

## COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

**DECEMBER 31, 2000**

|                                                                       | <u>Governmental Fund Types</u> |                        |                     |                         |
|-----------------------------------------------------------------------|--------------------------------|------------------------|---------------------|-------------------------|
|                                                                       | <u>General</u>                 | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
| <u>ASSETS AND OTHER DEBITS</u>                                        |                                |                        |                     |                         |
| <u>Assets</u>                                                         |                                |                        |                     |                         |
| Equity in Pooled Cash and Cash Equivalents                            | \$ 1,577,157                   | \$ 1,693,686           | \$ 33,142           | \$ 437,521              |
| Receivable:                                                           |                                |                        |                     |                         |
| Taxes                                                                 | 683,544                        | 612,949                | -                   | -                       |
| Accounts                                                              | 9,180                          | 7,451                  | -                   | -                       |
| Interest                                                              | 35,279                         | 3,601                  | -                   | 7,405                   |
| Intergovernmental                                                     | 64,231                         | 20,212                 | -                   | 58,848                  |
| Interfund                                                             | 49,813                         | -                      | -                   | -                       |
| Material and Supplies Inventory                                       | 89,457                         | 2,757                  | -                   | -                       |
| Fixed Assets, Net of Accumulated Depreciation                         | -                              | -                      | -                   | -                       |
| <u>Other Debits</u>                                                   |                                |                        |                     |                         |
| Amount Available in Debt Service Funds                                | -                              | -                      | -                   | -                       |
| Amount to be Provided for Retirement of General Long-Term Obligations | -                              | -                      | -                   | -                       |
| Total Assets and Other Debits                                         | \$ <u>2,508,661</u>            | \$ <u>2,340,656</u>    | \$ <u>33,142</u>    | \$ <u>503,774</u>       |

The Accompanying Notes are an Integral Part of These Financial Statements

| <u>Proprietary<br/>Fund Types</u> | <u>Fiduciary<br/>Fund Type</u>  | <u>Account Groups</u>               |                                              | <u>Total<br/>(Memorandum<br/>Only)</u> |
|-----------------------------------|---------------------------------|-------------------------------------|----------------------------------------------|----------------------------------------|
|                                   |                                 | <u>General<br/>Fixed<br/>Assets</u> | <u>General<br/>Long-Term<br/>Obligations</u> |                                        |
| <u>Enterprise</u>                 | <u>Trust<br/>And<br/>Agency</u> |                                     |                                              |                                        |
| \$ 4,964,387                      | \$ 224,686                      | \$ -                                | \$ -                                         | \$ 8,930,579                           |
| -                                 | -                               | -                                   | -                                            | 1,296,493                              |
| 400,395                           | -                               | -                                   | -                                            | 417,026                                |
| 40,567                            | 78                              | -                                   | -                                            | 86,930                                 |
| 553,144                           | -                               | -                                   | -                                            | 696,435                                |
| -                                 | -                               | -                                   | -                                            | 49,813                                 |
| 134,738                           | -                               | -                                   | -                                            | 226,952                                |
| 9,968,440                         | -                               | 8,997,535                           | -                                            | 18,965,975                             |
| -                                 | -                               | -                                   | 33,142                                       | 33,142                                 |
| -                                 | -                               | -                                   | <u>3,932,296</u>                             | <u>3,932,296</u>                       |
| <u>\$ 16,061,671</u>              | <u>\$ 224,764</u>               | <u>\$ 8,997,535</u>                 | <u>\$ 3,965,438</u>                          | <u>\$ 34,635,641</u>                   |

Continued

# CITY OF CHARDON, OHIO

## COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)

**DECEMBER 31, 2000**

|                                                    | <u>Governmental Fund Types</u> |                            |                         |                             |
|----------------------------------------------------|--------------------------------|----------------------------|-------------------------|-----------------------------|
|                                                    | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |
| <b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b> |                                |                            |                         |                             |
| <u>Liabilities</u>                                 |                                |                            |                         |                             |
| Accounts Payable                                   | \$ 84,726                      | \$ 29,534                  | \$ -                    | \$ 252,987                  |
| Accrued Wages and Benefits                         | 74,672                         | 26,487                     | -                       | -                           |
| Accrued Compensated Absences                       | 99,011                         | 61                         | -                       | -                           |
| Due to Other Governments                           | 52,277                         | 2,877                      | -                       | -                           |
| Due to Others                                      | -                              | -                          | -                       | -                           |
| Interfund Payable                                  | -                              | -                          | -                       | -                           |
| Deferred Revenue                                   | 215,915                        | 441,949                    | -                       | -                           |
| Accrued Pension                                    | 55,240                         | 42,455                     | -                       | -                           |
| Accrued Interest Payable                           | -                              | -                          | -                       | 55,542                      |
| OWDA Loan Payable                                  | -                              | -                          | -                       | -                           |
| OPWC Loan Payable                                  | -                              | -                          | -                       | -                           |
| Notes Payable                                      | -                              | -                          | -                       | 300,000                     |
| General Obligation Bonds Payable                   | -                              | -                          | -                       | -                           |
| Total Liabilities                                  | <u>581,841</u>                 | <u>543,363</u>             | <u>-</u>                | <u>608,529</u>              |
| <u>Fund Equity and Other Credits</u>               |                                |                            |                         |                             |
| Investment in General Fixed Assets                 | -                              | -                          | -                       | -                           |
| Retained Earnings                                  | -                              | -                          | -                       | -                           |
| Fund Balance:                                      |                                |                            |                         |                             |
| Reserve for Encumbrances                           | 292,609                        | 384,954                    | -                       | 253,965                     |
| Reserve for Inventory                              | 89,457                         | 2,757                      | -                       | -                           |
| Reserve for Debt Service                           | -                              | -                          | 33,142                  | -                           |
| Undesignated (Deficit)                             | <u>1,544,754</u>               | <u>1,409,582</u>           | <u>-</u>                | <u>(358,720)</u>            |
| Total Fund Equity and Other Credits                | <u>1,926,820</u>               | <u>1,797,293</u>           | <u>33,142</u>           | <u>(104,755)</u>            |
| Total Liabilities, Fund Equity and Other Credits   | \$ <u>2,508,661</u>            | \$ <u>2,340,656</u>        | \$ <u>33,142</u>        | \$ <u>503,774</u>           |

The Accompanying Notes are an Integral Part of These Financial Statements

| Proprietary<br>Fund Types | Fiduciary<br>Fund Type          | Account Groups             |                                     | Total<br>(Memorandum<br>Only) |
|---------------------------|---------------------------------|----------------------------|-------------------------------------|-------------------------------|
|                           |                                 | General<br>Fixed<br>Assets | General<br>Long-Term<br>Obligations |                               |
| <u>Enterprise</u>         | <u>Trust<br/>And<br/>Agency</u> |                            |                                     |                               |
| \$ 604,791                | \$ -                            | \$ -                       | \$ -                                | \$ 972,038                    |
| 21,744                    | -                               | -                          | -                                   | 122,903                       |
| 94,994                    | -                               | -                          | 164,158                             | 358,224                       |
| 14,361                    | 26,545                          | -                          | -                                   | 96,060                        |
| -                         | 106,850                         | -                          | -                                   | 106,850                       |
| -                         | 49,813                          | -                          | -                                   | 49,813                        |
| -                         | -                               | -                          | -                                   | 657,864                       |
| 26,258                    | -                               | -                          | -                                   | 123,953                       |
| -                         | -                               | -                          | -                                   | 55,542                        |
| 7,595,507                 | -                               | -                          | -                                   | 7,595,507                     |
| 93,600                    | -                               | -                          | 476,280                             | 569,880                       |
| -                         | -                               | -                          | 1,200,000                           | 1,500,000                     |
| -                         | -                               | -                          | 2,125,000                           | 2,125,000                     |
| <u>8,451,255</u>          | <u>183,208</u>                  | <u>-</u>                   | <u>3,965,438</u>                    | <u>14,333,634</u>             |
| -                         | -                               | 8,997,535                  | -                                   | 8,997,535                     |
| 7,610,416                 | 19,296                          | -                          | -                                   | 7,629,712                     |
| -                         | -                               | -                          | -                                   | 931,528                       |
| -                         | -                               | -                          | -                                   | 92,214                        |
| -                         | -                               | -                          | -                                   | 33,142                        |
| <u>-</u>                  | <u>22,260</u>                   | <u>-</u>                   | <u>-</u>                            | <u>1,417,876</u>              |
| <u>7,610,416</u>          | <u>41,556</u>                   | <u>8,997,535</u>           | <u>-</u>                            | <u>19,102,007</u>             |
| \$ <u>16,061,671</u>      | \$ <u>224,764</u>               | \$ <u>8,997,535</u>        | \$ <u>3,965,438</u>                 | \$ <u>34,635,641</u>          |

# CITY OF CHARDON, OHIO

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

### FOR THE YEAR ENDED DECEMBER 31, 2000

|                                                                                                   | <u>General</u>             | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> |
|---------------------------------------------------------------------------------------------------|----------------------------|----------------------------|-------------------------|
| <u>Revenues</u>                                                                                   |                            |                            |                         |
| Property Taxes                                                                                    | \$ 291,279                 | \$ 577,521                 | \$ -                    |
| Municipal Income Tax                                                                              | 2,560,157                  | -                          | -                       |
| Intergovernmental                                                                                 | 473,070                    | 320,470                    | -                       |
| Charges for Services                                                                              | 2,642                      | 227,934                    | -                       |
| Licenses and Permits                                                                              | 23,897                     | -                          | -                       |
| Fines and Forfeitures                                                                             | 763,492                    | 58,417                     | -                       |
| Special Assessments                                                                               | 23,799                     | 150,127                    | -                       |
| Investment Income                                                                                 | 230,947                    | 23,569                     | -                       |
| Miscellaneous Income                                                                              | 316,012                    | 72,179                     | -                       |
| Total Revenues                                                                                    | <u>4,685,295</u>           | <u>1,430,217</u>           | <u>-</u>                |
| <u>Expenditures</u>                                                                               |                            |                            |                         |
| Current Operations and Maintenance:                                                               |                            |                            |                         |
| Security of Persons and Property                                                                  | 830,471                    | 727,667                    | -                       |
| Public Health Services                                                                            | 24,320                     | 56,736                     | -                       |
| Leisure Time Activities                                                                           | -                          | 169,715                    | -                       |
| Community Environment                                                                             | 134,911                    | 49,276                     | -                       |
| Basic Utility Services                                                                            | 15,000                     | -                          | -                       |
| Transportation                                                                                    | 827,330                    | 18,001                     | -                       |
| General Government                                                                                | 1,890,175                  | 32,635                     | -                       |
| Capital Outlay                                                                                    | 586,685                    | 203,379                    | -                       |
| Debt Service:                                                                                     |                            |                            |                         |
| Principal Retirement                                                                              | -                          | -                          | 95,000                  |
| Interest and Fiscal Charges                                                                       | -                          | -                          | 122,325                 |
| Total Expenditures                                                                                | <u>4,308,892</u>           | <u>1,257,409</u>           | <u>217,325</u>          |
| Excess of Revenues Over (Under) Expenditures                                                      | <u>376,403</u>             | <u>172,808</u>             | <u>(217,325)</u>        |
| <u>Other Financing Sources (Uses)</u>                                                             |                            |                            |                         |
| Operating Transfers-In                                                                            | -                          | 180,000                    | 215,000                 |
| Proceeds from Sale of Debt                                                                        | -                          | -                          | -                       |
| Operating Transfers-Out                                                                           | (335,000)                  | (60,000)                   | -                       |
| Total Other Financing Sources (Uses)                                                              | <u>(335,000)</u>           | <u>120,000</u>             | <u>215,000</u>          |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 41,403                     | 292,808                    | (2,325)                 |
| Fund Balance at Beginning of Year                                                                 | 1,795,960                  | 1,501,728                  | 35,467                  |
| Increase in Reserve for Inventory                                                                 | <u>89,457</u>              | <u>2,757</u>               | <u>-</u>                |
| Fund Balance (Deficit) at End of Year                                                             | \$ <u><u>1,926,820</u></u> | \$ <u><u>1,797,293</u></u> | \$ <u><u>33,142</u></u> |

The Accompanying Notes are an Integral Part of These Financial Statements



| Capital<br>Projects | Expendable<br>Trust | Total<br>(Memorandum<br>Only) |
|---------------------|---------------------|-------------------------------|
| \$ -                | \$ -                | \$ 868,800                    |
| -                   | -                   | 2,560,157                     |
| 600,000             | -                   | 1,393,540                     |
| -                   | -                   | 230,576                       |
| -                   | -                   | 23,897                        |
| -                   | -                   | 821,909                       |
| -                   | -                   | 173,926                       |
| 48,495              | -                   | 303,011                       |
| -                   | -                   | 388,191                       |
| <u>648,495</u>      | <u>-</u>            | <u>6,764,007</u>              |
| -                   | -                   | 1,558,138                     |
| -                   | -                   | 81,056                        |
| -                   | -                   | 169,715                       |
| -                   | -                   | 184,187                       |
| -                   | -                   | 15,000                        |
| -                   | -                   | 845,331                       |
| 22,048              | 150                 | 1,945,008                     |
| 3,127,965           | -                   | 3,918,029                     |
| -                   | -                   | 95,000                        |
| <u>55,542</u>       | <u>-</u>            | <u>177,867</u>                |
| <u>3,205,555</u>    | <u>150</u>          | <u>8,989,331</u>              |
| <u>(2,557,060)</u>  | <u>(150)</u>        | <u>(2,225,324)</u>            |
| 141,400             | -                   | 536,400                       |
| 1,676,280           | -                   | 1,676,280                     |
| -                   | -                   | (395,000)                     |
| <u>1,817,680</u>    | <u>-</u>            | <u>1,817,680</u>              |
| (739,380)           | (150)               | (407,644)                     |
| 634,625             | 22,410              | 3,990,190                     |
| -                   | -                   | 92,214                        |
| \$ <u>(104,755)</u> | \$ <u>22,260</u>    | \$ <u>3,674,760</u>           |

# CITY OF CHARDON, OHIO

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2000

|                                                                                                      | General Fund      |                     | Variance<br>Favorable<br>(Unfavorable) |
|------------------------------------------------------------------------------------------------------|-------------------|---------------------|----------------------------------------|
|                                                                                                      | Budget            | Actual              |                                        |
| <u>Revenues</u>                                                                                      |                   |                     |                                        |
| Property Taxes                                                                                       | \$ 304,490        | \$ 304,603          | \$ 113                                 |
| Municipal Income Tax                                                                                 | 2,516,800         | 2,516,891           | 91                                     |
| Other Local Taxes                                                                                    | 1,300             | 1,323               | 23                                     |
| Intergovernmental                                                                                    | 477,536           | 477,883             | 347                                    |
| Charges for Services                                                                                 | 2,490             | 2,642               | 152                                    |
| Licenses and Permits                                                                                 | 23,250            | 23,897              | 647                                    |
| Fines and Forfeitures                                                                                | 790,100           | 790,409             | 309                                    |
| Special Assessments                                                                                  | 23,700            | 23,799              | 99                                     |
| Investment Income                                                                                    | 268,300           | 268,741             | 441                                    |
| Miscellaneous Income                                                                                 | 314,900           | 315,608             | 708                                    |
| Total Revenue                                                                                        | <u>4,722,866</u>  | <u>4,725,796</u>    | <u>2,930</u>                           |
| <u>Expenditures</u>                                                                                  |                   |                     |                                        |
| Current Operations and Maintenance:                                                                  |                   |                     |                                        |
| Security of Persons and Property                                                                     | 860,086           | 839,795             | 20,291                                 |
| Public Health Services                                                                               | 24,320            | 24,320              | -                                      |
| Community Environment                                                                                | 205,108           | 145,493             | 59,615                                 |
| Basic Utility Services                                                                               | 17,000            | 15,000              | 2,000                                  |
| Transportation                                                                                       | 1,038,021         | 877,813             | 160,208                                |
| General Government                                                                                   | 2,187,536         | 1,931,178           | 256,358                                |
| Capital Outlay                                                                                       | <u>1,096,110</u>  | <u>778,989</u>      | <u>317,121</u>                         |
| Total Expenditures                                                                                   | <u>5,428,181</u>  | <u>4,612,588</u>    | <u>815,593</u>                         |
| Excess of Revenues Over (Under) Expenditures                                                         | (705,315)         | 113,208             | 818,523                                |
| <u>Other Financing Sources (Uses)</u>                                                                |                   |                     |                                        |
| Operating Transfers - Out                                                                            | <u>(335,000)</u>  | <u>(335,000)</u>    | <u>-</u>                               |
| Excess of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Financing Uses | (1,040,315)       | (221,792)           | 818,523                                |
| Outstanding Encumbrances at Year End                                                                 | 335,278           | 335,278             | -                                      |
| Fund Balance at Beginning of Year                                                                    | <u>1,500,512</u>  | <u>1,500,512</u>    | <u>-</u>                               |
| Fund Balance at End of Year                                                                          | \$ <u>795,475</u> | \$ <u>1,613,998</u> | \$ <u>818,523</u>                      |

Continued

The Accompanying Notes are an Integral Part of These Financial Statements

# CITY OF CHARDON, OHIO

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL GOVERNMENTAL FUND TYPES (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2000

|                                                                                                      | <u>Special Revenue Funds</u> |                     |                                        |
|------------------------------------------------------------------------------------------------------|------------------------------|---------------------|----------------------------------------|
|                                                                                                      | <u>Budget</u>                | <u>Actual</u>       | Variance<br>Favorable<br>(Unfavorable) |
| <u>Revenues</u>                                                                                      |                              |                     |                                        |
| Property Taxes                                                                                       | \$ 639,190                   | \$ 639,392          | \$ 202                                 |
| Intergovernmental                                                                                    | 362,990                      | 340,304             | (22,686)                               |
| Charges for Services                                                                                 | 215,300                      | 228,797             | 13,497                                 |
| Fines and Forfeitures                                                                                | 51,000                       | 58,417              | 7,417                                  |
| Special Assessments                                                                                  | 145,000                      | 150,127             | 5,127                                  |
| Investment Income                                                                                    | 17,600                       | 27,426              | 9,826                                  |
| Miscellaneous Income                                                                                 | <u>71,650</u>                | <u>72,179</u>       | <u>529</u>                             |
| Total Revenue                                                                                        | <u>1,502,730</u>             | <u>1,516,642</u>    | <u>13,912</u>                          |
| <u>Expenditures</u>                                                                                  |                              |                     |                                        |
| Current Operations and Maintenance:                                                                  |                              |                     |                                        |
| Security of Persons and Property                                                                     | 711,882                      | 695,745             | 16,137                                 |
| Public Health Services                                                                               | 75,085                       | 55,314              | 19,771                                 |
| Leisure Time Activities                                                                              | 188,438                      | 169,872             | 18,566                                 |
| Community Environment                                                                                | 64,460                       | 54,273              | 10,187                                 |
| Transportation                                                                                       | 20,000                       | 20,000              | -                                      |
| General Government                                                                                   | 36,628                       | 34,625              | 2,003                                  |
| Capital Outlay                                                                                       | <u>874,538</u>               | <u>612,151</u>      | <u>262,387</u>                         |
| Total Expenditures                                                                                   | <u>1,971,031</u>             | <u>1,641,980</u>    | <u>329,051</u>                         |
| Excess of Revenues Over (Under) Expenditures                                                         | <u>(468,301)</u>             | <u>(125,338)</u>    | <u>342,963</u>                         |
| <u>Other Financing Sources (Uses)</u>                                                                |                              |                     |                                        |
| Operating Transfers-In                                                                               | 180,000                      | 180,000             | -                                      |
| Operating Transfers-Out                                                                              | <u>(60,000)</u>              | <u>(60,000)</u>     | <u>-</u>                               |
| Total Other Financing Sources (Uses)                                                                 | <u>120,000</u>               | <u>120,000</u>      | <u>-</u>                               |
| Excess of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Financing Uses | (348,301)                    | (5,338)             | 342,963                                |
| Outstanding Encumbrances at Year End                                                                 | 405,829                      | 405,829             | -                                      |
| Fund Balance at Beginning of Year                                                                    | <u>1,296,955</u>             | <u>1,296,955</u>    | <u>-</u>                               |
| Fund Balance at End of Year                                                                          | <u>\$ 1,354,483</u>          | <u>\$ 1,697,446</u> | <u>\$ 342,963</u>                      |

Continued

**CITY OF CHARDON, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL  
GOVERNMENTAL FUND TYPES (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2000**

|                                                                                                      | <u>Debt Service Fund</u> |                  |                                        |
|------------------------------------------------------------------------------------------------------|--------------------------|------------------|----------------------------------------|
|                                                                                                      | <u>Budget</u>            | <u>Actual</u>    | Variance<br>Favorable<br>(Unfavorable) |
| <u>Expenditures</u>                                                                                  |                          |                  |                                        |
| Debt Service:                                                                                        |                          |                  |                                        |
| Principal Retirement                                                                                 | \$ 95,000                | \$ 95,000        | \$ -                                   |
| Interest and Fiscal Charges                                                                          | <u>122,340</u>           | <u>122,325</u>   | <u>15</u>                              |
| Total Expenditures                                                                                   | <u>217,340</u>           | <u>217,325</u>   | <u>15</u>                              |
| Excess of Revenues Over (Under) Expenditures                                                         | (217,340)                | (217,325)        | 15                                     |
| <u>Other Financing Sources (Uses)</u>                                                                |                          |                  |                                        |
| Operating Transfers - In                                                                             | <u>215,000</u>           | <u>215,000</u>   | <u>-</u>                               |
| Excess of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Financing Uses | (2,340)                  | (2,325)          | 15                                     |
| Fund Balance at Beginning of Year                                                                    | <u>35,467</u>            | <u>35,467</u>    | <u>-</u>                               |
| Fund Balance at End of Year                                                                          | \$ <u>33,127</u>         | \$ <u>33,142</u> | \$ <u>15</u>                           |

Continued

# CITY OF CHARDON, OHIO

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL GOVERNMENTAL FUND TYPES (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2000

|                                                                                                      | <u>Capital Projects Funds</u> |                    |                                        |
|------------------------------------------------------------------------------------------------------|-------------------------------|--------------------|----------------------------------------|
|                                                                                                      | <u>Budget</u>                 | <u>Actual</u>      | Variance<br>Favorable<br>(Unfavorable) |
| <u>Revenues</u>                                                                                      |                               |                    |                                        |
| Intergovernmental                                                                                    | \$ 680,000                    | \$ 600,000         | \$ (80,000)                            |
| Investment Income                                                                                    | <u>55,000</u>                 | <u>56,428</u>      | <u>1,428</u>                           |
| Total Revenue                                                                                        | <u>735,000</u>                | <u>656,428</u>     | <u>(78,572)</u>                        |
| <u>Expenditures</u>                                                                                  |                               |                    |                                        |
| Current Operations and Maintenance:                                                                  |                               |                    |                                        |
| General Government                                                                                   | 22,050                        | 22,048             | 2                                      |
| Capital Outlay                                                                                       | <u>3,412,164</u>              | <u>3,328,593</u>   | <u>83,571</u>                          |
| Total Expenditures                                                                                   | <u>3,434,214</u>              | <u>3,350,641</u>   | <u>83,573</u>                          |
| Excess of Revenues Over (Under) Expenditures                                                         | <u>(2,699,214)</u>            | <u>(2,694,213)</u> | <u>5,001</u>                           |
| <u>Other Financing Sources (Uses)</u>                                                                |                               |                    |                                        |
| Operating Transfers-In                                                                               | 141,400                       | 141,400            | -                                      |
| Proceeds from Sale of Debt                                                                           | <u>1,920,000</u>              | <u>1,917,432</u>   | <u>(2,568)</u>                         |
| Total Other Financing Sources (Uses)                                                                 | <u>2,061,400</u>              | <u>2,058,832</u>   | <u>(2,568)</u>                         |
| Excess of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Financing Uses | (637,814)                     | (635,381)          | 2,433                                  |
| Outstanding Encumbrances at Year End                                                                 | 442,821                       | 442,821            | -                                      |
| Fund Balance at Beginning of Year                                                                    | <u>637,814</u>                | <u>637,814</u>     | <u>-</u>                               |
| Fund Balance at End of Year                                                                          | \$ <u>442,821</u>             | \$ <u>445,254</u>  | \$ <u>2,433</u>                        |

## CITY OF CHARDON, OHIO

### COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY – ALL PROPRIETARY FUND AND NON-EXPENDABLE TRUST FUND TYPES

#### FOR THE YEAR ENDED DECEMBER 31, 2000

|                                          | <u>Enterprise</u>   | <u>Nonexpendable<br/>Trust Fund</u> | <u>Total<br/>(Memorandum<br/>Only)</u> |
|------------------------------------------|---------------------|-------------------------------------|----------------------------------------|
| <u>Operating Revenues</u>                |                     |                                     |                                        |
| Charges for Services                     | \$ 2,124,149        | \$ -                                | \$ 2,124,149                           |
| Miscellaneous Income                     | <u>17,463</u>       | <u>-</u>                            | <u>17,463</u>                          |
| Total Operating Revenues                 | <u>2,141,612</u>    | <u>-</u>                            | <u>2,141,612</u>                       |
| <u>Operating Expenses</u>                |                     |                                     |                                        |
| Personal Services                        | 729,973             | -                                   | 729,973                                |
| Supplies and Materials                   | 34,390              | -                                   | 34,390                                 |
| Travel and Education                     | 6,706               | -                                   | 6,706                                  |
| Contractual Services                     | 183,705             | 195                                 | 183,900                                |
| Utilities                                | 201,439             | -                                   | 201,439                                |
| Depreciation                             | 175,156             | -                                   | 175,156                                |
| Capital Outlay                           | <u>380,675</u>      | <u>-</u>                            | <u>380,675</u>                         |
| Total Operating Expenses                 | <u>1,712,044</u>    | <u>195</u>                          | <u>1,712,239</u>                       |
| Operating Income                         | <u>429,568</u>      | <u>(195)</u>                        | <u>429,373</u>                         |
| <u>Non-Operating Revenues (Expenses)</u> |                     |                                     |                                        |
| Interest Income                          | <u>154,059</u>      | <u>477</u>                          | <u>154,536</u>                         |
| Income Before Operating Transfers        | 583,627             | 282                                 | 583,909                                |
| Operating Transfers - Out                | <u>(141,400)</u>    | <u>-</u>                            | <u>(141,400)</u>                       |
| Net Income                               | 442,227             | 282                                 | 442,509                                |
| Retained Earnings at Beginning of Year   | <u>7,168,189</u>    | <u>19,014</u>                       | <u>7,187,203</u>                       |
| Retained Earnings at End of Year         | \$ <u>7,610,416</u> | \$ <u>19,296</u>                    | \$ <u>7,629,712</u>                    |

The Accompanying Notes are an Integral Part of These Financial Statements

## CITY OF CHARDON, OHIO

### COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL PROPRIETARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2000

|                                                                                                  | Enterprise Funds     |                     |                                        |
|--------------------------------------------------------------------------------------------------|----------------------|---------------------|----------------------------------------|
|                                                                                                  | Budget               | Actual              | Variance<br>Favorable<br>(Unfavorable) |
| <u>Revenues</u>                                                                                  |                      |                     |                                        |
| Charges for Services                                                                             | \$ 2,109,918         | \$ 2,117,384        | \$ 7,466                               |
| Investment Income                                                                                | 176,000              | 183,539             | 7,539                                  |
| Miscellaneous Income                                                                             | <u>17,300</u>        | <u>17,463</u>       | <u>163</u>                             |
| Total Revenue                                                                                    | <u>2,303,218</u>     | <u>2,318,386</u>    | <u>15,168</u>                          |
| <u>Expenses</u>                                                                                  |                      |                     |                                        |
| Personal Services                                                                                | 814,170              | 741,313             | 72,857                                 |
| Travel and Education                                                                             | 14,581               | 6,706               | 7,875                                  |
| Supplies and Materials                                                                           | 147,305              | 108,744             | 38,561                                 |
| Contractual Services                                                                             | 398,562              | 316,361             | 82,201                                 |
| Utilities                                                                                        | 215,760              | 201,439             | 14,321                                 |
| Capital Outlay                                                                                   | 13,620,992           | 12,997,449          | 623,543                                |
| Debt Service:                                                                                    |                      |                     |                                        |
| Principal Retirement                                                                             | <u>12,600</u>        | <u>12,600</u>       | <u>-</u>                               |
| Total Expenses                                                                                   | <u>15,223,970</u>    | <u>14,384,612</u>   | <u>839,358</u>                         |
| Excess of Revenues Over (Under) Expenses                                                         | <u>(12,920,752)</u>  | <u>(12,066,226)</u> | <u>854,526</u>                         |
| <u>Other Financing Sources (Uses)</u>                                                            |                      |                     |                                        |
| Proceeds from Sale of Debt                                                                       | 13,175,000           | 6,717,892           | (6,457,108)                            |
| Operating Transfers - Out                                                                        | <u>(141,400)</u>     | <u>(141,400)</u>    | <u>-</u>                               |
| Total Other Financing Sources (Uses)                                                             | <u>13,033,600</u>    | <u>6,576,492</u>    | <u>(6,457,108)</u>                     |
| Excess of Revenues and Other Financing Sources<br>Over (Under) Expenses and Other Financing Uses | 112,848              | (5,489,734)         | (5,602,582)                            |
| Outstanding Encumbrances at End of Year                                                          | 6,277,709            | 6,277,709           | -                                      |
| Fund Balance at Beginning of Year                                                                | <u>4,201,577</u>     | <u>4,201,577</u>    | <u>-</u>                               |
| Fund Balance at End of Year                                                                      | \$ <u>10,592,134</u> | \$ <u>4,989,552</u> | \$ <u>(5,602,582)</u>                  |

The Accompanying Notes are an Integral Part of These Financial Statements

# CITY OF CHARDON, OHIO

## COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND AND NON-EXPENDABLE TRUST FUND TYPES

**FOR THE YEAR ENDED DECEMBER 31, 2000**

|                                                                     | <u>Enterprise</u>   | Non-Expendable<br>Trust<br><u>Fund</u> | Total<br>(Memorandum<br>Only)<br><u>Only)</u> |
|---------------------------------------------------------------------|---------------------|----------------------------------------|-----------------------------------------------|
| <u>Cash Flows From Operating Activities</u>                         |                     |                                        |                                               |
| Cash Received from Customers                                        | \$ 2,117,384        | \$ -                                   | \$ 2,117,384                                  |
| Cash Payments for Personal Services                                 | (741,313)           | -                                      | (741,313)                                     |
| Cash Payments for Travel and Education                              | (6,706)             | -                                      | (6,706)                                       |
| Cash Payments for Contractual Services                              | (199,320)           | (195)                                  | (199,515)                                     |
| Cash Payments to Vendors for Supplies and Materials                 | (102,238)           | -                                      | (102,238)                                     |
| Cash Payments for Utilities                                         | (201,439)           | -                                      | (201,439)                                     |
| Other Operating Revenues                                            | <u>17,463</u>       | <u>-</u>                               | <u>17,463</u>                                 |
| Net Cash Provided by (Used in)<br>Operating Activities              | <u>883,831</u>      | <u>(195)</u>                           | <u>883,636</u>                                |
| <u>Cash Flows From Capital and<br/>Related Financing Activities</u> |                     |                                        |                                               |
| Proceeds from WPCL Loan                                             | 6,717,892           | -                                      | 6,717,892                                     |
| Principal Paid on OPWC Loan                                         | (12,600)            | -                                      | (12,600)                                      |
| Acquisition of Capital Assets                                       | <u>(6,843,287)</u>  | <u>-</u>                               | <u>(6,843,287)</u>                            |
| Net Cash Used in Capital and<br>Related Financing Activities        | <u>(137,995)</u>    | <u>-</u>                               | <u>(137,995)</u>                              |
| <u>Cash Flows From Investing Activities</u>                         |                     |                                        |                                               |
| Interest Received                                                   | <u>164,343</u>      | <u>460</u>                             | <u>164,803</u>                                |
| <u>Cash Flows From Non-Capital Financing Activities</u>             |                     |                                        |                                               |
| Operating Transfers - Out                                           | <u>(141,400)</u>    | <u>-</u>                               | <u>(141,400)</u>                              |
| Net Increase in Cash and Cash Equivalents                           | 768,779             | 265                                    | 769,044                                       |
| Cash and Cash Equivalents at Beginning of Year                      | <u>4,195,608</u>    | <u>18,953</u>                          | <u>4,214,561</u>                              |
| Cash and Cash Equivalents at End of Year                            | \$ <u>4,964,387</u> | \$ <u>19,218</u>                       | \$ <u>4,983,605</u>                           |

Continued



# CITY OF CHARDON, OHIO

## COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND AND NON-EXPENDABLE TRUST FUND TYPES (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2000**

|                                                                                           | <u>Enterprise</u> | Non-Expendable<br>Trust<br><u>Fund</u> | Total<br>(Memorandum<br>Only)<br><u>Only)</u> |
|-------------------------------------------------------------------------------------------|-------------------|----------------------------------------|-----------------------------------------------|
| <u>Reconciliation of Operating Income to Net Cash<br/>From Operating Activities</u>       |                   |                                        |                                               |
| Operating Income (Loss)                                                                   | \$ 429,568        | \$ (195)                               | \$ 429,373                                    |
| Adjustment to Reconcile Operating Income (Loss) to<br>Net Cash From Operating Activities: |                   |                                        |                                               |
| Depreciation                                                                              | 175,156           | -                                      | 175,156                                       |
| Changes in Assets and Liabilities:                                                        |                   |                                        |                                               |
| Increase in Accounts Receivable                                                           | (6,765)           | -                                      | (6,765)                                       |
| Increase in Intergovernmental Receivable                                                  | (354,330)         | -                                      | (354,330)                                     |
| Decrease in Material and Supplies Inventory                                               | 100,413           | -                                      | 100,413                                       |
| Increase in Accounts Payable                                                              | 551,129           | -                                      | 551,129                                       |
| Decrease in Accrued Pension                                                               | (7,728)           | -                                      | (7,728)                                       |
| Decrease in Accrued Wages and Benefits                                                    | (1,403)           | -                                      | (1,403)                                       |
| Decrease in Compensated Absences                                                          | (12,605)          | -                                      | (12,605)                                      |
| Increase in Due to Other Governments                                                      | <u>10,396</u>     | <u>-</u>                               | <u>10,396</u>                                 |
| Net Cash Provided by (Used in)<br>Operating Activities                                    | \$ <u>883,831</u> | \$ <u>(195)</u>                        | \$ <u>883,636</u>                             |
|                                                                                           |                   |                                        |                                               |
| Cash and Cash Equivalents in Non-Expendable Trust                                         |                   | \$ 19,218                              |                                               |
| Cash and Cash Equivalents in Expendable Trust                                             |                   | 22,260                                 |                                               |
| Cash and Cash Equivalents in Agency Funds                                                 |                   | <u>185,208</u>                         |                                               |
| Cash and Cash Equivalents in Trust and Agency Funds                                       |                   | \$ <u>224,686</u>                      |                                               |

The Accompanying Notes are an Integral Part of These Financial Statements

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# **CITY OF CHARDON, OHIO**

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

**DECEMBER 31, 2000**

---

### NOTE 1 – THE REPORTING ENTITY

The City of Chardon is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a council-manager form of government, was adopted April 25, 1978. Effective April 29, 2001, the Village of Chardon became a city based on the 2000 Census. Throughout this report, the Village hereinafter will be referred to as a City.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Chardon, this includes police protection, parks and recreation, planning, zoning, street maintenance and repair, water and sewer utilities, municipal court and general administrative services. The City's departments include a public safety department, a public service department, a street maintenance department, a sanitation system, a parks and recreation department, a planning and zoning department, and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The City contracts with the Chardon Volunteer Fire Department, Inc. to provide fire service and ambulance services. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process.

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. 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.

#### The Chardon Municipal Court

The City budgets and appropriates funds for the operation of the Court and is ultimately responsible for any operating deficits sustained by the Court. The City's share of the fines collected by the Court along with its share of the Court's administrative and operating costs are recorded pursuant to State law in the City's General Fund. Due to this relationship, the Court is not considered a component unit of the City but rather as part of the primary government unit itself. Monies held by the Court in a fiduciary capacity are recorded as an agency fund in the accompanying financial statements.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2000**

---

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. BASIS OF PRESENTATION – FUND ACCOUNTING

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a set of self-balancing accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

#### GOVERNMENTAL FUNDS

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

#### GENERAL FUND

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

#### SPECIAL REVENUE FUNDS

The special revenue funds are used to account for revenues derived from specific taxes, grants, or other sources (other than amounts relating to major capital projects) whose use is restricted. The uses and limitations of each special revenue fund are specified by City ordinances or federal and state statutes.

#### DEBT SERVICE FUNDS

The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

#### CAPITAL PROJECTS FUNDS

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

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2000**

---

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. BASIS OF PRESENTATION – FUND ACCOUNTING (CONTINUED)

##### PROPRIETARY FUNDS

The proprietary fund is used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following is the City's proprietary fund type:

##### ENTERPRISE FUND

The enterprise fund is used to account for the City's water and sewer operations. It is financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

##### FIDUCIARY FUNDS

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the City to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable.

##### ACCOUNT GROUPS

To make a clear distinction between fixed assets related to a specific fund 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 fixed assets other than those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure.

##### GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

The general long-term obligations account group is used to account for all unmatured long-term obligations of the City that are not a specific liability of the proprietary funds.

# **CITY OF CHARDON, OHIO**

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2000**

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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 funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, state-levied locally shared taxes, fines and forfeitures, and income taxes earned.

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. Special assessment installments are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 2000 and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have also been recorded as deferred revenue.

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

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2000

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The proprietary fund types and nonexpendable trust funds utilize the accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year-end.

##### C. BUDGETARY PROCESS

The City follows these procedures in establishing the budgetary data reported in the combined financial statements:

###### TAX BUDGET

A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. All funds, except Agency funds, are legally required to be budgeted.

###### ESTIMATED RESOURCES

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. 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.

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if money from a new revenue source is received or if actual receipts exceed current estimates. The amounts set forth in the financial statements represent estimates from the final amended certificate issued for 2000.

###### APPROPRIATIONS

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations. One supplemental appropriation measure was legally enacted during 2000 by Council.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2000**

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. BUDGETARY PROCESS (CONTINUED)

##### BUDGETED LEVEL OF EXPENDITURE

The primary level of budget control is at the fund level. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. The appropriations set by Council must remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the City Manager or Finance Director as long as the allocations are within Council's appropriated amount.

##### ENCUMBRANCES

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds, and as a note disclosure for proprietary funds.

##### LAPSING OF APPROPRIATIONS

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over for the subsequent year's expenditures and need not be re-appropriated.

#### D. CASH AND CASH EQUIVALENTS

The City pools individual cash balances in a bank account and short-term cash equivalents for investment purposes. These balances are reported at fair value.

Following Ohio statutes, the City has specified the funds to receive an allocation of interest earnings. This allocation is based on the individual investments as to which fund or funds the investment relates.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments with original maturities of three months or less are considered to be cash equivalents.

#### E. INVENTORY

Inventory is valued at cost on a first-in, first-out basis. At December 31, 2000, the General, Special Revenue, and the Enterprise Fund maintained the only significant inventory. The costs of governmental fund type inventories are recorded as expenditures in the fund when purchased. The reserve for inventory indicates that a portion of the fund balance is not available for future expenditures. For proprietary funds, inventory is expended when consumed.



# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2000

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### F. FIXED ASSETS

The fixed asset values were initially determined at December 31, 1999, by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at fair value on the date donated.

##### GENERAL FIXED ASSETS

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Assets in the general fixed assets account group are not depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost in the general fixed asset account group.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the government. In addition, intangible assets such as software and licenses are not capitalized.

##### PROPRIETARY FUND FIXED ASSETS

Fixed assets associated with the water and sewer enterprise fund activities are accounted for in those funds. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. The assets of the water and sewer enterprise funds are depreciated on the following basis:

|                         | <u>Years</u> |
|-------------------------|--------------|
| Buildings               | 30 – 50      |
| Machinery and Equipment | 5 – 15       |
| Vehicles                | 5 – 8        |

##### CAPITALIZATION OF INTEREST

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2000**

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### G. INTERGOVERNMENTAL REVENUES

In governmental funds, federal grants awarded on a non-reimbursement basis and federal entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Federal reimbursable-type grants are recorded as intergovernmental receivables and revenues in the period when all applicable eligibility requirements have been met and the resources are available.

#### H. INTERFUND ASSETS AND LIABILITIES

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

#### I. COMPENSATED ABSENCES

In conformity with GASB Statement No. 16, the City accrues vacation and compensatory time benefits as earned by its employees if the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Likewise, the City accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the pay rates in effect at December 31, 2000. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Employees are encouraged to use their vacation leave within one year from their anniversary date, but are entitled to carryover eighty hours into the next year. Employees are also entitled to a cash payment for any unused vacation leave, limited to 1/2 of the total leave earned during that year. Accordingly, all accrued vacation pay is considered to be a current liability. City employees are paid for earned, unused vacation leave at the time of the termination of their employment.

Full-time employees earn 10 hours of sick leave a month. Part-time employees do not earn sick leave, but are entitled to all of the hours earned from their start date if they do become full-time employees. Employees hired prior to July 21, 1983 with over 10 years of service and eligible to retire are entitled to 1/3 of their accumulated unused sick hours up to 960 hours. Employees hired subsequent to July 21, 1983 with over 10 years of service and eligible to retire are entitled to 1/4 of their accumulated unused sick hours up to 400 hours. Individuals leaving the employment of the City prior to meeting these eligibility requirements lose their accumulated sick leave.

For governmental funds, the City provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using available expendable resources, and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2000**

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. COMPENSATED ABSENCES (CONTINUED)

In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

#### J. 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.

#### K. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

Nonrecurring and nonroutine transfers of equity between funds, capital contributions to the Enterprise or Internal Service funds, the subsequent return of all or part of such contributions, and the transfer of residual balances of discontinued funds or projects to the General fund, Capital Projects fund, or Debt Service funds (when financed with debt proceeds) are classified as residual equity transfers.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

#### L. FUND EQUITY

Reserves of fund equity in governmental funds indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances and inventory of supplies and materials.

#### M. ESTIMATES

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

# **CITY OF CHARDON, OHIO**

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2000**

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### N. MEMORANDUM ONLY – TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS

Total columns on the Combined Financial Statements are captioned “(Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position 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 – 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), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statements of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – All Governmental Fund Types and the Statement of Revenues, Expenses, and Changes in Fund Balance – Budget and Actual – All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are identified as follows:

- (d) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (e) Expenditures/Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (f) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental Funds, and note disclosure for Proprietary Funds (GAAP basis).

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2000

#### NOTE 3 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

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

|                             | Excess of Revenues and Other Financing Sources Over<br>(Under) Expenditures and Other Financing Uses |                            |                         |                             |
|-----------------------------|------------------------------------------------------------------------------------------------------|----------------------------|-------------------------|-----------------------------|
|                             | <u>General</u>                                                                                       | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |
| GAAP Basis                  | \$ 41,403                                                                                            | \$ 292,808                 | \$ (2,325)              | \$ (739,380)                |
| Increase (Decrease) Due To: |                                                                                                      |                            |                         |                             |
| Revenue Accruals            | 40,501                                                                                               | 86,425                     | -                       | 249,085                     |
| Expenditure Accruals        | 31,582                                                                                               | 21,258                     | -                       | 297,735                     |
| Outstanding Encumbrances    | <u>(335,278)</u>                                                                                     | <u>(405,829)</u>           | <u>-</u>                | <u>(442,821)</u>            |
| Budget Basis                | \$ <u>(221,792)</u>                                                                                  | \$ <u>(5,338)</u>          | \$ <u>(2,325)</u>       | \$ <u>(635,381)</u>         |

Excess Revenues Over (Under) Expenses,  
Advances and Transfers/Net Income (Loss)

|                             | <u>Proprietary Fund Type<br/>Enterprise</u> |
|-----------------------------|---------------------------------------------|
| Net Income                  | \$ 442,227                                  |
| Increase (Decrease) Due To: |                                             |
| Revenue Accruals            | 6,740,607                                   |
| Expenses Accruals           | (6,570,015)                                 |
| Outstanding Encumbrances    | (6,277,709)                                 |
| Depreciation Expense        | <u>175,156</u>                              |
| Budget Basis                | \$ <u>(5,489,734)</u>                       |

#### NOTE 4 – DEPOSITS AND INVESTMENTS

The City's Charter specifies that investments of the City will adhere to State statutes. Under these statutes, the Finance Director is responsible for selecting depositories and investing funds. The City, by statute, is to limit deposits and investments of City funds to insured demand deposit accounts, certificates of deposit, United States treasury bills, or obligations of other United States governmental agencies for which the principal and interest is guaranteed by the United States government, and repurchase agreements.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2000

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#### NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 selling short are also prohibited. An investment must mature within 5 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.

Protection of City cash and investments is provided by the various federal deposit insurance corporations as well as qualified securities pledged by the institutions holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. At least quarterly the City determines that the collateral has a market value adequate to cover the deposits. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of the City's deposits was \$1,601,995 and the bank balance was \$1,740,401. Of the bank balance:

1. \$200,000 was covered by the federal depository insurance, by collateral held by the City or by collateral held by a qualified third party trustee in the name of the City.
2. \$1,540,401 was uninsured and uncollateralized as defined by the GASB because the collateral pledged by the financial institutions or their trust departments or agents is not in the City's name.

The City's investments are detailed below and are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

| <u>Description</u>           | <u>Risk<br/>Category 3</u> | <u>Carrying<br/>Amount</u> | <u>Fair<br/>Value</u> |
|------------------------------|----------------------------|----------------------------|-----------------------|
| State Treasurer's Investment |                            |                            |                       |
| Pool (STAROhio) *            | \$ -                       | \$ 2,450,506               | \$ 2,450,506          |
| U.S. Government Securities   | <u>4,878,078</u>           | <u>4,878,078</u>           | <u>4,878,078</u>      |
| * Noncategorized             | \$ <u>4,878,078</u>        | \$ <u>7,328,584</u>        | \$ <u>7,328,584</u>   |

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.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2000

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#### NOTE 5 – INCOME TAXES

The City levies a 1 percent income tax on substantially all earned income within the City as well as on income of residents that is earned outside the City. Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City's agent, Central Collection Agency (CCA), either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax liability quarterly and file a final return annually. All income tax proceeds are recorded in the General Fund.

#### NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable the following June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Chardon. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2000, was \$11.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

| Category          | <u>Assessed Value</u> |
|-------------------|-----------------------|
| Real Estate       | \$ 100,616,670        |
| Public Utility    | 5,153,410             |
| Tangible Personal | <u>21,769,210</u>     |
| Total             | \$ <u>127,539,290</u> |

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2000

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#### NOTE 7 – FIXED ASSETS

##### A. GENERAL FIXED ASSETS

Changes in general fixed assets during 2000 were as follows:

|                          | <u>Balances</u><br><u>1-1-00</u> | <u>Additions</u>    | <u>Reductions</u> | <u>Balances</u><br><u>12-31-00</u> |
|--------------------------|----------------------------------|---------------------|-------------------|------------------------------------|
| Land                     | \$ 1,518,431                     | \$ -                | \$ -              | \$ 1,518,431                       |
| Land Improvements        | 490,052                          | -                   | -                 | 490,052                            |
| Buildings                | 3,709,521                        | 307,866             | -                 | 4,017,387                          |
| Machinery and Equipment  | 724,904                          | 79,165              | -                 | 804,069                            |
| Vehicles                 | <u>562,512</u>                   | <u>44,853</u>       | <u>20,671</u>     | <u>586,694</u>                     |
| Subtotal                 | 7,005,420                        | 431,884             | 20,671            | 7,416,633                          |
| Construction in Progress | <u>-</u>                         | <u>1,580,902</u>    | <u>-</u>          | <u>1,580,902</u>                   |
|                          | <u>\$ 7,005,420</u>              | <u>\$ 2,012,786</u> | <u>\$ 20,671</u>  | <u>\$ 8,997,535</u>                |

##### B. ENTERPRISE FUND FIXED ASSETS

A summary of proprietary fund type property, plant and equipment at December 31, 2000 were as follows:

|                                                 | <u>Balances</u><br><u>12-31-00</u> |
|-------------------------------------------------|------------------------------------|
| Land                                            | \$ 81,504                          |
| Land Improvements                               | 113,405                            |
| Buildings                                       | 3,445,468                          |
| Machinery and Equipment                         | 1,824,514                          |
| Vehicles                                        | 169,052                            |
| Construction in Progress                        | <u>7,042,363</u>                   |
|                                                 | 12,676,306                         |
| Less:                                           |                                    |
| Accumulated Depreciation                        | <u>(2,707,866)</u>                 |
| Fixed Assets Net of<br>Accumulated Depreciation | <u>\$ 9,968,440</u>                |



# **CITY OF CHARDON, OHIO**

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### **DECEMBER 31, 2000**

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS**

##### **A. PUBLIC EMPLOYEES RETIREMENT SYSTEM**

The City of Chardon contributes to the Public Employees Retirement System of Ohio (“System”), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. The System 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. The System issues a stand alone financial report. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The rate rollback was 20 percent for local governments, resulting in the City contributing 10.84 percent of covered payroll to the plan for 2000, of which 4.3 percent was applied towards the health care program for retirants. The City’s contributions to the System for the years ended December 31, 2000, 1999 and 1998 were \$169,841, \$200,399, and \$176,730, respectively, equal to the required contributions for each year.

##### **B. OHIO POLICE AND FIRE PENSION FUND**

The City of Chardon contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F 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 are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. The City of Chardon’s contributions to OP&F for the years ending December 31, 2000, 1999 and 1998 were \$98,693, \$87,217, and \$77,993, respectively, equal to the required contributions for each year.

# **CITY OF CHARDON, OHIO**

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### **DECEMBER 31, 2000**

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#### **NOTE 9 – POST-EMPLOYMENT BENEFITS**

##### **A. PUBLIC EMPLOYEES RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credits and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement 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. During 2000, the City's portion that was used to fund health care was \$111,669, representing 4.3 percent of covered payroll.

The post-retirement health care coverage is advance-funded on an actuarially determined basis. The following assumptions and calculations were based on PERS'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 benefit liabilities; the difference between assumed and actual experience is part of the unfunded actuarial accrued liability; the investment assumption rate for 1999 was 7.75 percent; all investments are carried at market value; for actuarial valuation purposes, a smoothed market approach is used – meaning that assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets; individual pay increases are assumed to increase 4.75 percent compounded annually, with no change in the number of active employees; annual pay increases over and above the 4.75 percent base increase were assumed to range from 0.54 percent to 5.1 percent; and health care costs are assumed to increase 4.75 percent annually. The actuarially accrued post-retirement health care liability for PERS at December 31, 1999 was \$12,473,600,000. The net assets were \$10,805,500,000, leaving an unfunded actuarial accrued liability of \$1,668,100,000. The number of active participants was 401,339.

##### **B. OHIO POLICE AND FIRE PENSION FUND**

The Ohio Police and Fire Pension Fund ("OP&F") provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit ("OPEB") as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll. The Ohio Revised Code provides the statutory authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.0 percent and 7.25 percent of covered payroll in 1999 and 2000, respectively. The allocation is 7.50 percent in 2001. 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.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2000

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#### NOTE 9 – POST-EMPLOYMENT BENEFITS (CONTINUED)

##### B. OHIO POLICE AND FIRE PENSION FUND (CONTINUED)

The number of participants eligible to receive health care benefits as of December 31, 1999, the date of the last actuarial valuation available, was 12,467 for police. The City's actual contributions for 2000 that were used to fund post-employment benefits were \$36,695 for police. OP&F's total health care expenses for the year ending December 31, 1999, the date of the last actuarial valuation available, was \$95,004,633, which was net of member contributions of \$5,518,098.

#### NOTE 10 – DEBT OBLIGATIONS

##### A. NOTE DEBT

Note debt activity for the year ended December 31, 2000 consisted of the following:

| <u>GENERAL OBLIGATION NOTES</u>                       | <u>Balance<br/>December 31,<br/>1999</u> | <u>Issued<br/>(Retired)</u> | <u>Balance<br/>December 31,<br/>2000</u> |
|-------------------------------------------------------|------------------------------------------|-----------------------------|------------------------------------------|
| 4.30% 2000 Building Improvements,<br>maturing 2/22/01 | \$ <u>-</u>                              | \$ <u>1,500,000</u>         | \$ <u>1,500,000</u>                      |
| Total General Obligations Notes                       | \$ <u>-</u>                              | \$ <u>1,500,000</u>         | \$ <u>1,500,000</u>                      |

The City will refinance \$1,200,000 of the Notes (see Note 16).

##### B. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2000 was as follows:

| <u>GENERAL OBLIGATION BOND</u>                          | <u>Balance<br/>December 31,<br/>1999</u> | <u>Issued<br/>(Retired)</u> | <u>Balance<br/>December 31,<br/>2000</u> |
|---------------------------------------------------------|------------------------------------------|-----------------------------|------------------------------------------|
| 4.10% Municipal Building Improvements,<br>maturing 2015 | \$ <u>2,220,000</u>                      | \$ <u>(95,000)</u>          | \$ <u>2,125,000</u>                      |
| Total General Obligation Bond                           | \$ <u>2,220,000</u>                      | \$ <u>(95,000)</u>          | \$ <u>2,125,000</u>                      |

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2000

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#### NOTE 10 – DEBT OBLIGATIONS (CONTINUED)

##### B. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS (CONTINUED)

| <u>OTHER LONG-TERM OBLIGATIONS</u>                              | <u>Balance<br/>December 31,<br/>1999</u> | <u>Issued<br/>(Retired)</u> | <u>Balance<br/>December 31,<br/>2000</u> |
|-----------------------------------------------------------------|------------------------------------------|-----------------------------|------------------------------------------|
| 0% Ohio Public Works Commission – Park Avenue<br>Reconstruction | \$ -                                     | \$ 476,280                  | \$ 476,280                               |
| Compensated Absences                                            | \$ <u>143,527</u>                        | \$ <u>20,631</u>            | \$ <u>164,158</u>                        |
| Total Other Long-Term Obligations                               | \$ <u>143,527</u>                        | \$ <u>496,911</u>           | \$ <u>640,438</u>                        |
| <u>Enterprise Fund Debt</u>                                     |                                          |                             |                                          |
| 2.975% Ohio Water Development Authority Loan                    | 523,285                                  | 7,072,222                   | 7,595,507                                |
| 0% Ohio Public Works Commission –<br>Issue II Loans             | <u>106,200</u>                           | <u>(12,600)</u>             | <u>93,600</u>                            |
| Total Enterprise Fund Debt                                      | <u>629,485</u>                           | <u>7,059,622</u>            | <u>7,689,107</u>                         |
| Total All Long-Term Obligations                                 | \$ <u>2,993,012</u>                      | \$ <u>7,461,533</u>         | \$ <u>10,454,545</u>                     |

The Ohio Public Works Commission (“OPWC”) Park Avenue Reconstruction Loan relates to construction on City streets. OPWC has authorized up to \$500,000 in loans to the City for this project. The loan will be repaid from the debt service fund in semiannual installments of \$12,500 over 20 years, ending in 2020.

The Ohio Water Development Authority (“OWDA”) loan relates to a wastewater treatment plant expansion and upgrade project. The upgrade portion of the project was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$13,500,000 in loans to the City for this project. The repayment schedule has not yet been established for the loan. The OWDA loan will be repaid from the Enterprise Fund. The City has agreed to set utility rates and fees sufficient to cover OWDA debt service requirements. Approximately two-thirds of the revenue will be generated through a system development charge to all of the new developments in an effort to fund the expansion portion of the project. The remaining one-third of the revenue will be generated by a surcharge to the existing users that will be used for the upgrade portion of the project.

The Ohio Public Works Commission Issue II Loans relate to water main replacements for South Hambden and Wilson Mills streets. The South Hambden street loan will be repaid in semiannual installments of \$5,000 over 10 years, ending in 2007. The Wilson Mills street loan will be repaid from the Enterprise Fund in semiannual installments of \$1,300 over 20 years, ending in 2012.

Principal and interest payments on General Obligation Notes and General Obligation Bonds are paid out of the Debt Service Fund. The long term portion of unpaid compensated absences will be paid from the fund from which the individuals who have accumulated the unpaid compensated absences are paid.

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2000

#### NOTE 10 – DEBT OBLIGATIONS (CONTINUED)

##### B. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS (CONTINUED)

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2000 were as follows:

| <u>Year</u> | <u>General Obligation Bond</u> |                     | <u>OPWC<br/>Loan</u> | <u>Enterprise Fund<br/>OPWC Loans</u> |
|-------------|--------------------------------|---------------------|----------------------|---------------------------------------|
|             | <u>Principal</u>               | <u>Interest</u>     |                      |                                       |
| 2001        | \$ 95,000                      | \$ 118,050          | \$ 25,000            | \$ 12,600                             |
| 2002        | 100,000                        | 113,680             | 25,000               | 12,600                                |
| 2003        | 105,000                        | 108,980             | 25,000               | 12,600                                |
| 2004        | 110,000                        | 103,940             | 25,000               | 12,600                                |
| 2005        | 115,000                        | 98,550              | 25,000               | 12,600                                |
| 2006-2010   | 690,000                        | 388,310             | 125,000              | 26,700                                |
| 2011-2015   | 910,000                        | 164,140             | 125,000              | 3,900                                 |
| 2016-2020   | -                              | -                   | 101,280              | -                                     |
| Totals      | \$ <u>2,125,000</u>            | \$ <u>1,095,650</u> | \$ <u>476,280</u>    | \$ <u>93,600</u>                      |

#### NOTE 11 – RISK MANAGEMENT

The City has obtained commercial insurance coverage for comprehensive property and general liability, vehicles, and errors and omissions.

The City also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

#### NOTE 12 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The operations of the Enterprise Funds are accounted for, financed and recorded in a manner similar to that of private enterprises whereby it is the City's intent that the costs of providing these goods or services be financed primarily through user charges.

Segment information for the Enterprise Funds is summarized as follows:

| For the Year Ended December 31, 2000: | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---------------------------------------|--------------|--------------|--------------|
| Operating Revenues                    | \$ 764,306   | \$ 1,377,306 | \$ 2,141,612 |
| Depreciation Expense                  | 35,480       | 139,676      | 175,156      |
| Operating Income                      | 268,234      | 161,334      | 429,568      |
| Net Income                            | 234,634      | 207,593      | 442,227      |
| Operating Transfers - Out             | 33,600       | 107,800      | 141,400      |

# CITY OF CHARDON, OHIO

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2000

#### NOTE 12 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

As of December 31, 2000:

|                               |           |            |            |
|-------------------------------|-----------|------------|------------|
| Acquisition of Capital Assets | 16,433    | 6,826,854  | 6,843,287  |
| Net Working Capital           | 1,513,627 | 3,817,456  | 5,331,083  |
| Total Assets                  | 2,016,535 | 14,045,136 | 16,061,671 |
| Loans Outstanding             | 93,600    | 7,595,507  | 7,689,107  |
| Total Fund Equity             | 1,822,305 | 5,788,111  | 7,610,416  |

#### NOTE 13 – CONTINGENCIES

The City receives financial assistance through Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, it is the opinion of the City's Management that such disallowed claims will not materially adversely affect the City's financial condition.

#### NOTE 14 – CHANGES IN FINANCIAL STATEMENT PRESENTATION

For the year ended December 31, 2000, the City has presented, for the first time, general purpose financial statements by fund type and account group in accordance with generally accepted accounting principles. In conjunction with this presentation, the City has changed its basis of accounting from the budgetary basis to the modified accrual basis for Governmental and Expendable Trust Funds, and to the accrual basis for Proprietary Funds and Nonexpendable Trust Funds. These changes include the recognition of revenues when measurable and available for Governmental and Expendable Trust Funds, and when earned for Proprietary Funds and Nonexpendable Trust Funds. These changes also include recognition of expenditures and/or expenses when incurred. Fund balances and retained earnings as of January 1, 2000 have been restated for these changes. These restatements had the following effects on fund balances and/or retained earnings:

|                      | Balance as<br>Previously<br>Stated at<br>December 31,<br><u>1999</u> | <u>Adjustments</u> | Restated<br>Balance at<br>January 1,<br><u>2000</u> |
|----------------------|----------------------------------------------------------------------|--------------------|-----------------------------------------------------|
| General              | \$ 1,500,512                                                         | \$ 295,448         | \$ 1,795,960                                        |
| Special Revenue      | 1,296,955                                                            | 204,773            | 1,501,728                                           |
| Debt Service         | 35,467                                                               | -                  | 35,467                                              |
| Capital Projects     | 637,814                                                              | (3,189)            | 634,625                                             |
| Expendable Trust     | 22,410                                                               | -                  | 22,410                                              |
| Enterprise           | 4,201,577                                                            | 2,966,612          | 7,168,189                                           |
| Nonexpendable Trust  | 18,934                                                               | 80                 | 19,014                                              |
| Agency               | 133,168                                                              | (69,853)           | 63,315                                              |
| General Fixed Assets | -                                                                    | 7,005,420          | 7,005,420                                           |

# **CITY OF CHARDON, OHIO**

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

### **DECEMBER 31, 2000**

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#### **NOTE 15 – COMPLIANCE AND ACCOUNTABILITY**

The Police Pension Special Revenue Fund had a deficit of \$8,128 and the Street Lighting Special Revenue Fund had a deficit of \$508. Both deficits were caused by the application of generally accepted accounting principles to the funds. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

The Municipal Facilities Capital Project Fund had a deficit of \$232,018, caused by the application of generally accepted accounting principles to the fund. The City had significant Capital Outlay expenditures in this fund during the year and the related assets are capitalized in the General Fixed Asset Account Group; therefore, a deficit occurred.

#### **NOTE 16 – SUBSEQUENT EVENTS**

In February 2001, the City retired \$1,500,000 in General Obligation Notes and reissued \$1,200,000 in General Obligation Notes. The new notes will mature in February 2002.

In February 2002, the City retired \$1,200,000 in General Obligation Notes and reissued \$900,000 in General Obligation Notes. Also in February 2002, the City issued \$1,000,000 in Redevelopment Taxable Bond Anticipation Notes. Both new notes will mature in February 2003.

During 2001, the City expended an additional \$4,861,138 on the Ohio Water Development Authority loan program for construction.

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**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

City of Chardon  
Geauga County  
111 Water Street  
Chardon, Ohio 44024

To the Council Members:

We have audited the financial statements of the City of Chardon (formerly, the Village of Chardon as described in Note 1), Geauga County, Ohio, (the City) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated October 16, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 management of the City in a separate letter dated October 16, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audits, 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated October 16, 2002.

City of Chardon  
Geauga County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of management and Council Members, 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 stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

October 16, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CITY OF CHARDON**

**GEAUGA 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  
NOVEMBER 12, 2002**