

# **City Of Warrensville Heights, Ohio**

**General-Purpose Financial Statements**

**DECEMBER 31, 2002**





**Auditor of State  
Betty Montgomery**

Mayor and Members of City Council  
City of Warrensville Heights

We have reviewed the Independent Auditor's Report of the City of Warrensville Heights, Cuyahoga County, prepared by Ciuni & Panichi, Inc. for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

July 21, 2003

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# CITY OF WARRENSVILLE HEIGHTS, OHIO

**FOR THE YEAR ENDED DECEMBER 31, 2002**

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CIUNI & PANICHI  
INC.

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS CONSULTING FIRM

a C&P Advisors Company

## Independent Auditor's Report

Members of the City Council  
Warrensville Heights, Ohio

We have audited the accompanying general-purpose financial statements of the City of Warrensville Heights, as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Warrensville Heights's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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 audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Warrensville Heights, as of December 31, 2002, and the results of its operations for the year 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 June 20, 2003 on our consideration of the City of Warrensville Heights's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
June 20, 2003



# **CITY OF WARRENSVILLE HEIGHTS, OHIO**

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

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The general-purpose financial statements of the City include the basic combined financial statements, presented by fund type and account group, and notes to the financial statements that are essential to the fair presentation of financial position and results of operations.



**CITY OF WARRENSVILLE HEIGHTS, OHIO  
 COMBINED BALANCE SHEET  
 DECEMBER 31, 2002**

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE AGENCY	ACCOUNT GROUPS		TOTAL (MEMORANDUM) ONLY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
<u>ASSETS AND OTHER DEBITS</u>								
<u>Assets:</u>								
Cash & Cash Equivalents	\$65,113	\$272,088	\$7,462	\$1,376,307	\$122,004			\$1,842,974
Receivables:								
Taxes - Personal Property & Real Estate & Income	3,062,469	797,435	601,946					4,461,850
Accounts	261,493							261,493
Special Assessments			106,431					106,431
Due From Other Governments	664,751	226,545						891,296
Due From Other Funds	26,000							26,000
Accrued Interest	14,245							14,245
Inventory	33,707							33,707
Prepaid Items	62,116							62,116
Fixed Assets						\$7,105,923		7,105,923
<u>Other Debits:</u>								
Amount available in debt service funds							\$7,462	7,462
Amount to be provided for lease payments							1,095,431	1,095,431
Amounts to be provided for retirement of Long-term obligations							9,520,632	9,520,632
Total Assets and Other Debits	<u>\$4,189,894</u>	<u>\$1,296,068</u>	<u>\$715,839</u>	<u>\$1,376,307</u>	<u>\$122,004</u>	<u>\$7,105,923</u>	<u>\$10,623,525</u>	<u>\$25,429,560</u>

Continued

See accompanying notes to the General Purpose Financial Statements

**CITY OF WARRENSVILLE HEIGHTS, OHIO  
 COMBINED BALANCE SHEET (CONTINUED)  
 DECEMBER 31, 2002**

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE AGENCY	ACCOUNT GROUPS		TOTAL (MEMORANDUM) ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
	<u>LIABILITIES</u>							
Accounts Payable	\$255,608	\$9,065						\$264,673
Contracts Payable				\$622,868				622,868
Accrued Wages & Benefits	731,113	83,666						814,779
Due To Other Governments					\$21,592			21,592
Due To Other Funds		26,000						26,000
Due To Others					100,412			100,412
Deferred Revenues	2,524,304	926,594	\$708,377					4,159,275
General Obligation Bonds Payable							\$4,853,546	4,853,546
Capital Leases Commitment Pay.							1,095,431	1,095,431
Special Assessment Bonds Pay.							1,171,446	1,171,446
Notes Payable							1,975,000	1,975,000
Compensated Absences Pay.	125,055						1,528,102	1,653,157
<b>Total Liabilities</b>	<b>3,636,080</b>	<b>1,045,325</b>	<b>708,377</b>	<b>622,868</b>	<b>122,004</b>	<b>\$0</b>	<b>10,623,525</b>	<b>16,758,179</b>
<u>FUND EQUITY AND OTHER CREDITS</u>								
Investments In General:								
Fixed Assets						7,105,923		7,105,923
Fund Balances:								
Reserve For Encumbrances	29,512	23,757		614,584				667,853
Reserve For Inventory	33,707							33,707
Reserve For Prepaid Assets	62,116							62,116
Reserve For Debt Service			7,462					7,462
Unreserved:								
Undesignated	428,479	226,986		138,855				794,320
<b>Total Fund Equity and Other Credits</b>	<b>553,814</b>	<b>250,743</b>	<b>7,462</b>	<b>753,439</b>	<b>0</b>	<b>7,105,923</b>	<b>0</b>	<b>8,671,381</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$4,189,894</b>	<b>\$1,296,068</b>	<b>\$715,839</b>	<b>\$1,376,307</b>	<b>\$122,004</b>	<b>\$7,105,923</b>	<b>\$10,623,525</b>	<b>\$25,429,560</b>

See accompanying notes to the General Purpose Financial Statements

**CITY OF WARRENSVILLE HEIGHTS, OHIO  
 COMBINED INCOME STATEMENT  
 DECEMBER 31, 2002**

	GOVERNMENTAL FUND TYPES				TOTAL MEMORANDUM ONLY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	
<u>Revenues</u>					
Local Income Tax	\$8,513,212				\$8,513,212
Property Taxes - Real Estate & Personal Property	1,048,292	\$742,482	\$574,434		2,365,208
Other Taxes	46,469				46,469
Intergovernmental	1,057,408	664,715		\$202,419	1,924,542
Special Assessments		500	180,208		180,708
Interest Income	29,080	192			29,272
Fines, Licenses & Permits	704,382				704,382
Charges For Services	348,075	1,562			349,637
Miscellaneous	373,022	34,452			407,474
<b>Total Revenues</b>	<b>12,119,940</b>	<b>1,443,903</b>	<b>754,642</b>	<b>202,419</b>	<b>14,520,904</b>
<u>Expenditures</u>					
Current:					
Securities of Persons & Property	7,153,698	768,802			7,922,500
Public Health Service	44,572				44,572
Leisure Time Activities	355,284	27,468			382,752
Community Environment	503,977	349,946			853,923
Basic Utilities	71,193				71,193
Transportation	2,725,972	383,367			3,109,339
General Government	2,190,392		3,794		2,194,186
Capital Outlay	26,945	13,054		1,551,407	1,591,406
Debt Service:					
Principal Retirement			645,000		645,000
Interest and Fiscal Charges			376,150		376,150
<b>Total Expenditures</b>	<b>13,072,033</b>	<b>1,542,637</b>	<b>1,024,944</b>	<b>1,551,407</b>	<b>17,191,021</b>
Excess of Revenues Over (Under) Expenditures	(952,093)	(98,734)	(270,302)	(1,348,988)	(2,670,117)
<u>Other Financing Sources (Uses)</u>					
Debt Proceeds				1,975,000	1,975,000
Transfers-In	0	62,286	213,000		275,286
Transfers-Out	(275,286)				(275,286)
Advances-In		33,604			33,604
Advances-Out	(33,604)				(33,604)
<b>Total Other Financing Sources (Uses)</b>	<b>(308,890)</b>	<b>95,890</b>	<b>213,000</b>	<b>1,975,000</b>	<b>1,975,000</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,260,983)	(2,844)	(57,302)	626,012	(695,117)
Fund Balances at Beginning of Year Restated	1,814,797	253,587	64,764	127,427	2,260,575
Fund Balances at End of Year	\$553,814	\$250,743	\$7,462	\$753,439	\$1,565,458

See accompanying notes to the General Purpose Financial Statements

**CITY OF WARRENSVILLE HEIGHTS, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 (NON-GAAP BUDGETARY BASIS)-ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2002**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Revenues</u>						
Local Income Tax	\$9,647,203	\$9,048,044	(\$599,159)			
Property Taxes - Real Estate and Personal Property	1,055,724	1,048,292	(7,432)	\$748,110	\$742,482	(\$5,628)
Other Taxes	47,300	46,469	(831)			
Intergovernmental	1,142,287	1,058,697	(83,590)	1,237,434	664,715	(572,719)
Special Assessments	600	0	(600)	500	500	0
Interest Income	45,000	14,847	(30,153)	313	192	(121)
Fines, Licenses & Permits	684,100	541,194	(142,906)			
Charges for Services	321,300	309,907	(11,393)	6,837	1,562	(5,275)
Miscellaneous	238,000	396,385	158,385	34,452	34,452	0
<b>Total Revenues</b>	<b>13,181,514</b>	<b>12,463,835</b>	<b>(717,679)</b>	<b>2,027,646</b>	<b>1,443,903</b>	<b>(583,743)</b>
<u>Expenditures</u>						
Current:						
Securities of Persons & Property	6,671,473	6,591,920	79,553	832,790	789,252	43,538
Public Health Service	44,786	44,572	214			
Leisure Time Activities	349,759	347,424	2,335	30,769	27,468	3,301
Community Environment	503,129	494,509	8,620	860,431	414,119	446,312
Basic Utilities	3,000	2,997	3			
Transportation	2,680,111	2,606,520	73,591	383,797	383,367	430
General Government	2,283,986	2,245,506	38,480	152,195	0	152,195
Capital Outlay	110,209	20,400	89,809	32,481	13,054	19,427
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
<b>Total Expenditures</b>	<b>12,646,453</b>	<b>12,353,848</b>	<b>292,605</b>	<b>2,292,463</b>	<b>1,627,260</b>	<b>665,203</b>
Excess of Revenues Over (Under) Expenditures	535,061	109,987	(425,074)	(264,817)	(183,357)	81,460
<u>Other Financing Sources (Uses)</u>						
Proceeds From Sale of Assets	2,000	0	(2,000)			
Debt Proceeds						
Transfers-In	0	13,800	13,800	59,384	62,286	2,902
Transfers-Out	(272,364)	(275,286)	(2,922)	(13,800)	(13,800)	0
Advances-In				33,604	33,604	0
Advances-Out	(33,604)	(33,604)	0			
<b>Total Other Financing Sources (Uses)</b>	<b>(303,968)</b>	<b>(295,090)</b>	<b>8,878</b>	<b>79,188</b>	<b>82,090</b>	<b>2,902</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	231,093	(185,103)	(416,196)	(185,629)	(101,267)	84,362
Fund Cash Balances at Beginning of Year	214,943	214,943	0	263,688	263,688	0
Prior Year Encumbrances Reappropriated	26,355	26,355	0	11,655	11,655	0
<b>Fund Cash Balances at End of Year</b>	<b>\$472,391</b>	<b>\$56,195</b>	<b>(\$416,196)</b>	<b>\$89,714</b>	<b>\$174,076</b>	<b>\$84,362</b>

See accompanying notes to the General Purpose Financial Statements

Continued

**CITY OF WARRENSVILLE HEIGHTS, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 (NON-GAAP BUDGETARY BASIS)-ALL GOVERNMENTAL FUND TYPES (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2002**

	DEBT SERVICE			CAPITAL PROJECTS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Revenues</u>						
Local Income Tax						
Property Taxes - Real Estate & Personal Property	\$567,689	\$574,434	\$6,745			
Other Taxes						
Intergovernmental	41,156	0	(41,156)	\$477,000	\$202,419	(\$274,581)
Special Assessments	183,010	213,053	30,043			
Interest Income						
Fines, Licenses & Permits						
Charges For Services						
Miscellaneous						
<b>Total Revenues</b>	<b>791,855</b>	<b>787,487</b>	<b>(4,368)</b>	<b>477,000</b>	<b>202,419</b>	<b>(274,581)</b>
<u>Expenditures</u>						
Current:						
Securities of Persons & Property						
Public Health Service						
Leisure Time Activities						
Community Environment						
Basic Utilities						
Transportation						
General Government						
Capital Outlay				2,518,371	953,882	1,564,489
Debt Service:						
Principal Retirement	645,000	645,000	0			
Interest and Fiscal Charges	380,787	379,944	843			
<b>Total Expenditures</b>	<b>1,025,787</b>	<b>1,024,944</b>	<b>843</b>	<b>2,518,371</b>	<b>953,882</b>	<b>1,564,489</b>
Excess of Revenues Over (Under) Expenditures	(233,932)	(237,457)	3,525	(2,041,371)	(751,463)	1,289,908
<u>Other Financing Sources (Uses)</u>						
Proceeds From Sale of Assets						
Debt Proceeds				1,975,000	1,975,000	0
Transfers-In	213,000	213,000	0			
Transfers-Out						
Advances-In						
Advances-Out						
<b>Total Other Financing Sources (Uses)</b>	<b>213,000</b>	<b>213,000</b>	<b>0</b>	<b>1,975,000</b>	<b>1,975,000</b>	<b>0</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(20,932)	(24,457)	3,525	(66,371)	1,223,537	1,289,908
Fund Cash Balance Beginning of Year	346,918	346,918	0	79,267	79,267	0
Prior Year Encumbrances Reappropriated						
<b>Fund Cash Balances at End of Year</b>	<b>\$325,986</b>	<b>\$322,461</b>	<b>\$3,525</b>	<b>\$12,896</b>	<b>\$1,302,804</b>	<b>\$1,289,908</b>

Continued

See accompanying notes to the General Purpose Financial Statements

**CITY OF WARRENSVILLE HEIGHTS, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL-  
 (NON-GAAP BUDGETARY BASIS)-ALL GOVERNMENTAL FUND TYPES (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2002**

	TOTAL MEMORANDUM ONLY		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Revenues</u>			
Local Income Tax	\$9,647,203	\$9,048,044	(\$599,159)
Property Taxes - Real Estate & Personal Property	2,371,523	2,365,208	(6,315)
Other Taxes	47,300	46,469	(831)
Intergovernmental	2,897,877	1,925,831	(972,046)
Special Assessments	184,110	213,553	29,443
Interest Income	45,313	15,039	(30,274)
Fines, Licenses & Permits	684,100	541,194	(142,906)
Charges For Services	328,137	311,469	(16,668)
Miscellaneous	272,452	430,837	158,385
<b>Total Revenues</b>	<b>16,478,015</b>	<b>14,897,644</b>	<b>(1,580,371)</b>
<u>Expenditures</u>			
Current:			
Securities of Persons & Property	7,504,263	7,381,172	123,091
Public Health Service	44,786	44,572	214
Leisure Time Activities	380,528	374,892	5,636
Community Environment	1,363,560	908,628	454,932
Basic Utilities	3,000	2,997	3
Transportation	3,063,908	2,989,887	74,021
General Government	2,436,181	2,245,506	190,675
Capital Outlay	2,661,061	987,336	1,673,725
Debt Service:			0
Principal Retirement	645,000	645,000	0
Interest and Fiscal Charges	380,787	379,944	843
<b>Total Expenditures</b>	<b>18,483,074</b>	<b>15,959,934</b>	<b>2,523,140</b>
Excess of Revenues Over (Under) Expenditures	(2,005,059)	(1,062,290)	942,769
<u>Other Financing Sources (Uses)</u>			
Proceeds From Sale of Assets	2,000		(2,000)
Debt Proceeds	1,975,000	1,975,000	0
Transfers-In	272,384	289,086	16,702
Transfers-Out	(286,164)	(289,086)	(2,922)
Advances-In	33,604	33,604	0
Advances-Out	(33,604)	(33,604)	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,963,220</b>	<b>1,975,000</b>	<b>11,780</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(41,839)	912,710	954,549
Fund Cash Balance Beginning of Year	904,816	904,816	0
Prior Year Encumbrances Reappropriated	38,010	38,010	0
<b>Fund Cash Balances at End of Year</b>	<b>\$900,987</b>	<b>\$1,855,536</b>	<b>\$954,549</b>

See accompanying notes to the General Purpose Financial Statements

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002

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

**A. Description of the Entity**

**The City**

The City of Warrensville Heights, Ohio (the "City") operates under a Council-Mayor form of government. Elected officials include seven council members and a Mayor. The City provides the following services as authorized by its charter that was adopted May 6, 1958: public safety, highway and streets, parks and recreation, and public improvements.

**Reporting Entity**

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups and the results of operations of the various fund types. The financial statements are presented as of December 31, 2002, and for the year then ended, in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

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

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(CONTINUED)

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

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

**Reporting Entity (Continued)**

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

**B. Basis of Presentation**

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

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

**Governmental Funds**

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

*General Fund* - The general operating fund of the City; used to account for all revenues and expenditures except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of the State of Ohio.



CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(CONTINUED)

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

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

*Special Revenue Funds* - used to account for revenue from specific sources (other than major capital projects) which require separate accounting because of legal restrictions requiring that expenditures be for specified purposes.

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

*Capital Projects Funds* - used to account for revenues and expenditures related to the acquisition or construction of major capital facilities and to account for the financing of public improvements or services deemed to benefit specific properties against which assessments are levied.

**Fiduciary Funds**

*Agency Funds* - used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City has no trust funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

**Account Groups**

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

*General Fixed Assets Account Group* - used to account for capital assets used in general government operations with a useful life of greater than one year.

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(CONTINUED)

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

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

**Account Groups (Continued)**

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

**C. Basis of Accounting**

Governmental and fiduciary funds types are accounted for on the modified accrual basis of accounting. Under this basis revenues are recognized in the accounting period when they become both measurable and available to finance expenditures of the current period. The City uses 60 days as the measurable and available period. Revenue items, which are recognized before the related cash is received and are recorded as receivables, include income taxes arising from payroll tax withholding during the year, investment income, and reimbursable-type grants. Expenditures are recognized when the related fund liability is incurred, with the exception of accumulated unpaid employee compensation which is not payable from expendable financial resources and general long-term obligations of principal and interest, which are recorded when due.

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

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)

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

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

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

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

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

**D. Budgetary Accounting**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

CITY OF WARRENSVILLE HEIGHTS, OHIO  
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(CONTINUED)

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

**D. Budgetary Accounting (Continued)**

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

The City's budgetary process is as follows:

*Budget* - A tax budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31, of the following year. A proposed budget of estimated revenues and expenditures is submitted by the Mayor to members of City Council of the City by November 15 of each year for the period January 1 to December 31 of the following year.

*Estimated Resources* - The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund. On or about January 1, the certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources.

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

**D. Budgetary Accounting (Continued)**

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

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

*Encumbrances* - The City is required to use, by Ohio law, the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve a portion of the applicable appropriation.

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

*Budgetary Basis of Accounting*

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

CITY OF WARRENSVILLE HEIGHTS, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
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 (CONTINUED)

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

**D. Budgetary Accounting (Continued)**

*Budgetary Basis of Accounting (Continued)*

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes;
2. Expenditures are recorded when paid in cash for budget purposes as opposed to when the liability is incurred for GAAP purposes;
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

Excess (Deficiency) of Revenues and Other Financing Sources  
 Over (Under) Expenditures and Other Financing Uses

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
GAAP Basis	(\$1,260,983)	(\$2,844)	(\$57,302)	\$626,012
Increase (Decrease) Due to:				
Revenue Accruals	(343,895)		32,845	
Expenditures Accruals	761,497	(74,666)		1,212,109
Encumbrances Outstanding	(29,512)	(23,757)		(614,584)
 Budgetary Basis	 <u>(\$185,103)</u>	 <u>(\$101,267)</u>	 <u>(\$24,457)</u>	 <u>\$1,223,537</u>

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)

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

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During 2002, the portfolio of the City was limited to non-participating interest-earning investment contracts (e.g., repurchase agreements)) and State Treasurer's Asset Reserve of Ohio (STAROhio). Nonparticipating investments contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

The City also invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2002. 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 operated 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, 2002.

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

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

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)

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

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

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

**F. Fixed Assets**

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

Fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and are capitalized in the general fixed assets account group. The City's capitalization threshold is \$500.

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

**G. Depreciation**

No depreciation is provided on general fixed assets.



CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(CONTINUED)

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

**H. Encumbrances**

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

**I. Grants and Other Intergovernmental Revenues**

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

**J. Interfund Transactions**

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

**K. Inventories**

Inventories are stated at cost, on a first-in, first-out basis. The cost of inventory items are recorded as an expenditure at the time inventory items are purchased. In the governmental funds, reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets.

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(CONTINUED)

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

**L. Compensated Absences**

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

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

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

**M. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2002 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items are equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(CONTINUED)

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

**N. Long-Term Obligations**

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

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

**O. Reservations of Fund Balances**

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

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)

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

**P. Total Columns on Combined Financial Statements**

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

**NOTE 2: ACCOUNTABILITY**

**Fund Deficits**

The following funds had deficit fund balances at December 31, 2002:

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
Street Lighting	\$74,768
Fire Pension & Disability Fund	\$27,504
Police Pension & Disability Fund	\$27,501
Community Navigator	\$ 438

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 2: ACCOUNTABILITY (Continued)**

**Fund Deficits (Continued)**

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

**NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

State statutes classify monies held by the City into three categories:

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

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

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

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(CONTINUED)

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligations guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal governmental agency or instrumentality, including but not limited to, federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)

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

6. The State Treasurer's investment pool (STAROhio).

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City and must be purchased with the expectation that it will held until maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

CITY OF WARRENSVILLE HEIGHTS, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2002  
 (CONTINUED)

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

**A. Deposits**

At year end, the carrying amount of the City's deposits was \$1,579,819 and the bank balance was \$1,645,874. \$239,307 of the bank balance was covered by federal depository insurance and \$1,406,567 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the City's name and all State statutory requirements for the deposit of money hadnot been followed, non-compliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

**B. Investments**

GASB Statement No. 3 requires the City's investments be categorized to give an indication of the level of risk assumed by the City at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The City invested in the State Treasury Asset Reserve of Ohio (STAROhio) during the 2002 fiscal year. STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

Investments (as defined by GASB 3) as of December 31, 2002 were as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreement (Category 3)	\$263,000	\$263,000
STAROhio (uncategorized)	<u>155</u>	<u>155</u>
Total Investments	<u>\$263,155</u>	<u>\$263,155</u>



CITY OF WARRENSVILLE HEIGHTS, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2002  
 (CONTINUED)

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

**B. Investments (Continued)**

STAROhio is not categorized since those investments are not evidenced by securities that exist in physical or book entry form.

The investments are carried at cost except STAROhio, which is carried at fair value.

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

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

	<u>Cash &amp; Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,842,974	
Cash Overdraft		
Investments:		
Repurchase Agreement	(263,000)	\$ 263,000
STAROhio	<u>(155)</u>	<u>155</u>
GASB Statement No. 3	<u>\$1,579,819</u>	<u>\$ 263,155</u>

The City maintains a cash pool that is available for use by all funds and accounts except for the Deputy Clerk of Courts fund, and Compliant Trust fund, which are maintained separately.

CITY OF WARRENSVILLE HEIGHTS, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
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 (CONTINUED)

**NOTE 4: FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance January 1, <u>2002</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2002</u>
Land and Land Improvements	\$234,033			\$234,033
Buildings, Structures, and Improvements	1,825,192			1,825,192
Furniture and Fixtures	449,941	\$13,166		463,107
Machinery and Equipment	1,272,730	194,168		1,466,898
Vehicles	2,882,473	211,204	\$36,634	3,057,043
Construction in Progress	<u>0</u>	<u>59,650</u>		<u>59,650</u>
Total	<u>\$6,664,369</u>	<u>\$478,188</u>	<u>\$36,634</u>	<u>\$7,105,923</u>

**NOTE 5: INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at December 31, 2002 consist of the following:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payables</u>
General Fund	\$26,000	
Special Revenue Funds: Street Lighting Fund		\$26,000
	<u>\$26,000</u>	<u>\$26,000</u>

CITY OF WARRENSVILLE HEIGHTS, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
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 (CONTINUED)

**NOTE 6: DUE FROM OTHER GOVERNMENTS**

A summary of the principal items of Due from Other Governments follows:

<u>Fund</u>	<u>Amounts</u>
<u>General Fund</u>	
Fines From Bedford Court	\$183,489
Local Government Support	<u>481,262</u>
Total General Fund	<u>664,751</u>
<u>Special Revenue Fund</u>	
Auto Registration Tax	53,831
Gasoline Tax	54,886
Highway Distribution	73,396
Permissive Tax	3,079
Grants	<u>41,353</u>
Total Special Revenue Fund	<u>226,545</u>
Total All Funds	<u>\$891,296</u>

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7: DEFINED BENEFIT PENSION PLANS**

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

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

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

The City of Warrensville Heights contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2002 employer contribution rate for local government employer units was 13.55 percent of covered payroll, 8.55 percent to fund the pension and 5.00 percent to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2002, 2001 and 2000 were \$502,807, 433,567, and 331,898 respectively, which were equal to the required contributions for each year.

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)

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

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

The PERS of Ohio provides postemployment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The portion of the 2002 employer contribution rate of 13.55 percent that was used to fund health care for the year 2002 was 5.00 percent of covered payroll, which amounted to \$185,538.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through contributions to OPERS.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuations is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.00 percent. An annual increase of 4.00 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from .50 percent to 6.30 percent. Health care costs were assumed to increase 4.00 percent annually.

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)**

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

OPEB's are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. Employer contributions to fund postretirement benefits for 2002 were \$185,536. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

In December 2001 the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the use in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approval, offering a broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

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

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing, multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustment, 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.

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(CONTINUED)

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

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

The Ohio Police and Fire Pension Fund issues a publicly available financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's contributions to the OP&F fund for the years ending December 31, 2002, 2001 and 2000 were \$399,616, \$396,660 and \$387,984 for police and \$463,958, \$452,512 and \$469,913 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The 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 the OP&F Fund shall be included in the employer's contribution rate. 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% of covered payroll and the total employer contribution rate is 24% of covered payroll. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals.

CITY OF WARRENSVILLE HEIGHTS, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2002  
 (CONTINUED)

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

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

Health care funding and accounting was 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 7.5% and 7.75% of covered payroll in 2001 and 2002, respectively. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2001, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,174 for police and 10,329 for firefighters. The portion of 2002 covered payroll that was used to post-retirement benefits for police was \$122,559 and \$146,161 for firefighters for 2002. The OP&F's total health care expenses for the year ending December 31, 2001, the date of the last actuarial valuation available was \$122,298,771, which was net of member contributions of \$6,874,699.

**NOTE 8: LONG-TERM OBLIGATIONS**

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

	Balance January 1, <u>2002</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2002</u>
<u>General Obligation Bonds</u>				
10-1-90 Various Purpose	\$89,812		\$6,266	\$83,546
6-1-92 Various Purpose	1,485,000		100,000	1,385,000
6-1-92 Various Purpose	135,000		135,000	0
9-1-99 Various Purpose	<u>3,670,000</u>	_____	<u>285,000</u>	<u>3,385,000</u>
Total General Obligation Bonds	<u>5,379,812</u>	<u>0</u>	<u>526,266</u>	<u>4,853,546</u>



CITY OF WARRENSVILLE HEIGHTS, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2002  
 (CONTINUED)

**NOTE 8: LONG-TERM OBLIGATIONS**

	Balance January <u>2002</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2002</u>
<u>Special Assessment Bonds</u>				
10-1-90 Various Purpose	\$555,180	\$38,734		\$516,446
10-1-88 Street Improvement	105,000	10,000		95,000
9-1-86 Street Improvement	190,000	40,000		150,000
6-1-92 Various Purpose	<u>440,000</u>	<u>30,000</u>		<u>410,000</u>
 Total Special Assessment Bonds	 <u>1,290,180</u>	 <u>118,734</u>		 <u>1,171,446</u>
 <u>Notes in Anticipation of Bonds</u>		 <u>1,975,000</u>		 <u>1,975,000</u>
 <u>Other Obligations</u>				
Accrued Compensated Absences	1,125,311	402,791		1,528,102
Capital Leases	1,198,536	100,255	\$203,360	1,095,431
Due to Other Governments	<u>323,261</u>	<u>          </u>	<u>323,261</u>	<u>          0</u>
 Total Other Obligations	 <u>2,647,108</u>	 <u>503,046</u>	 <u>526,621</u>	 <u>2,623,533</u>
 Total General Obligation Bonds and Other Obligations	 <u>\$9,317,100</u>	 <u>\$2,478,046</u>	 <u>\$1,171,621</u>	 <u>\$10,623,525</u>

CITY OF WARRENSVILLE HEIGHTS, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2002  
 (CONTINUED)

**NOTE 8: LONG-TERM OBLIGATIONS (Continued)**

Outstanding general obligation bonds consist of street improvements which are payable from proceeds received from the collection of City income tax.

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

The notes issued in anticipation of bonds were used for capital project improvements. Annual principal and interest of these notes will be made by transfers from the general fund.

Capital leases will be paid from fund revenues in the general fund.

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

**Principal and Interest Requirements**

A summary of the City's future long-term debt requirements, excluding the notes in anticipation of bonds for \$1,975,000, showing the principle and interest payments as of December 31, 2002 follows:

<u>Years</u>	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$456,963	\$277,722	\$128,037	\$82,801	\$585,000	\$360,529
2004	457,659	261,070	137,341	93,777	595,000	334,847
2005	482,659	243,164	148,641	63,977	631,300	307,141
2006	503,355	223,776	136,645	54,723	640,000	278,499
2007	544,748	151,156	120,252	37,041	665,000	188,197
2008-2012	<u>2,408,162</u>	<u>758,126</u>	<u>500,530</u>	<u>110,010</u>	<u>2,908,692</u>	<u>868,136</u>
Total	<u>\$ 4,853,546</u>	<u>\$1,915,014</u>	<u>\$1,171,446</u>	<u>\$422,335</u>	<u>\$6,024,992</u>	<u>\$2,337,349</u>

CITY OF WARRENSVILLE HEIGHTS, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2002  
 (CONTINUED)

**NOTE 9: LEASE COMMITMENT**

**Capital Leases**

The City is obligated under twelve leases which are accounted for as a capital lease, as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*. The leased assets and related obligations are accounted for in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. The following is a schedule by years of the future minimum lease payments for capital leases together with the present value of the net minimum lease payments as of December 31, 2002:

**Capital Leases**

2003	\$275,895
2004	249,622
2005	228,726
2006	200,696
2007	88,865
2008	88,865
2009	88,865
2010	<u>88,865</u>
 Total Minimum Lease Payments	 1,310,399
 Less Amount Representing Interest	 <u>214,968</u>
 Present Value of Net Minimum Lease Payments	 <u>\$1,095,431</u>

CITY OF WARRENSVILLE HEIGHTS, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2002  
 (CONTINUED)

**NOTE 10: ACCRUED COMPENSATED ABSENCES**

City employees generally earn vacation ranging from two to five weeks based on length of service and sick leave of 5 days after six months and 1.25 days per month for continuous service. Vacation and sick leave accumulate on a monthly basis and are fully vested when earned. Normally, all vacation time is to be taken in the year available unless written approval for carryover of vacation is obtained. 760 hours of unused sick leave plus 336 hours of unused vacation leave is paid at retirement or death for administrative personnel. 320 hours of unused sick leave and the accumulated vacation leave is paid at retirement or death for the Police Department. The Fire Department can receive 360 hours of the first 960 hours or a percentage thereof for accumulated unused sick leave and accumulated vacation leave at the time of retirement or death.

In addition, employees of the City's Police and Fire departments can accumulate compensatory time for a portion of overtime hours worked generally based upon time and a half of hourly rates. Employees are entitled to receive payments in cash for their accumulated hours, up to 480 hours, upon retirement or termination from the City's payroll. Fire and police department employees can also earn sick leave bonus which is granted to those employees who do not use any sick time during the preceding calendar year.

**NOTE 10: ACCUMULATED UNPAID EMPLOYEE BENEFITS**

A summary of employee benefit obligations (calculated in accordance with GASB Statement No. 16) at December 31, 2002 is as follows:

	<u>Governmental Fund Types</u>
Vacation	\$595,653
Sick Pay and Sick Pay Bonus	679,018
Holiday Leave	100,209
Paid Compensated Absence Time	<u>278,277</u>
Total	<u>\$1,653,157</u>

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(CONTINUED)

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

Government fund type liabilities are recorded in the General Long-Term Obligation Account Group. The liability above includes the amount of \$125,055 which was paid within the available period, which is reflected as a fund liability in the general fund.

**NOTE 11: INCOME TAXES**

The City levies an income tax of 2.00 percent on gross salaries, wages, and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City.

Employers within the City are required to withhold income tax on employee compensation and remit this tax to an intermediary collection agency (Central Collection Agency) at least quarterly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the collection agency. The collection agency remits tax collected for the City each month, net of a fee for their service. Income taxes are recorded in the general fund.

**NOTE 12: PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. The assessed value upon which the 2002 levy was based was approximately \$250.45 million (per the Cuyahoga County Auditor). Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. A reevaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last reevaluation was completed in 1997.

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(CONTINUED)

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

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

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

Tangible personal property taxes are based on assessed value determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. For the collection year 2002, the percentage used to determine taxable value of personal property and inventory was 25 percent. Pertinent tangible personal property tax dates are:

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

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

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

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

CITY OF WARRENSVILLE HEIGHTS, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(CONTINUED)

NOTE 12: PROPERTY TAXES (Continued)

The full property tax rate for all City operations for the year ended December 31, 2002 was \$13.20 per \$1,000 of assessed value. The assessed value upon which the 2002 tax receipts were based was \$250,447,651. This amount constitutes \$195,412,410 in real property assessed value, \$11,927,110 in public utility assessed value and \$43,108,131 in tangible personal property assessed value.

Taxes receivable represent current and delinquent real property, tangible personal property, and public property taxes which are measurable at December 31, 2002. These taxes are intended to finance the next fiscal years' operations and are therefore offset by a credit to deferred revenue. Taxes receivable at December 31, 2002 amounted to \$3,062,469 in the general fund, \$797,435 in the special revenue funds, and \$601,946 in the debt service funds.

NOTE 13: CONTINGENCIES AND COMMITMENTS

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

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

NOTE 14: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2002, the City contracted with several companies for various types of insurance as follows:

CITY OF WARRENSVILLE HEIGHTS, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2002  
 (CONTINUED)

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

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductibles</u>
Specialty National Insurance Company	Commercial Crime Coverage	\$ 250
	Commercial General Liability	0
	(\$1,000,000 Aggregate/\$1,000,000 per occurrence)	
	Commercial Property & Contents	1,000
	Automobile Comprehensive	500
	Automobile Collision	500
	Public Officials Liability	5,000
	Law Enforcement Liability	5,000
Travelers Property Casualty	Commercial Inland Marine	1,000
	Boiler & Machinery	1,000

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

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

**NOTE 15: SUBSEQUENT EVENTS**

The City of Warrensville Heights, is in the process of refinancing its general obligation debt outstanding as of December 31, 2002 to take advantage of lower current interest rates.

**NOTE 16: PRIOR PERIOD AUDIT ADJUSTMENTS**

(A) The 2001 audit report showed \$115,870 of interfund receivables and payables between the general fund and several special revenue funds. These interfund receivables and payables were incorrectly recognized on the 2001 financial statements. The following items were removed from the 2002 financial statements as prior period audit adjustments:



CITY OF WARRENSVILLE HEIGHTS, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2002  
 (CONTINUED)

**NOTE 16: PRIOR PERIOD AUDIT ADJUSTMENTS (Continued)**

<u>Debit</u>	<u>Credit</u>
Prior Period Equity	Prior Period Equity
Fund Name:	
General Fund <u>\$115,870</u>	Special Revenue Funds:
	Exterior Maintenance (\$70,819)
	EMS Training (676)
	Sidewalk Replacement (13,711)
	Master Plan (19,028)
	CDBG Paint Program <u>(11,636)</u>
	<u>(\$115,870)</u>

(B) The 2001 audit report overstated the ending fund balance by \$11,376 for the Special Revenue - EMS Computer Fund. This overstated ending fund balance was reduced with a prior period debit to beginning fund balance for this fund.



Creating economic value through  
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CIUNI & PANICHI  
INC.

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS CONSULTING FIRM

a C&P Advisors Company

Report On Compliance And On Internal Control Over  
Financial Reporting Based On An Audit Of Financial Statements  
Performed In Accordance With *Government Auditing Standards*

Members of the City Council  
Warrensville Heights, Ohio

We have audited the general-purpose financial statements of the City of Warrensville Heights as of and for the year ended December 31, 2002, and have issued our report thereon dated June 20, 2003. We conducted our audit 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 of Warrensville Heights's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item number 02-1.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Warrensville Heights's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Warrensville Heights in a separate letter dated June 20, 2003.



Members of the City Council  
Warrensville Heights, Ohio

This report is intended solely for the information and use of the City Council, Finance Committee, Management, Auditor of State's Office, and is not intended to be and should not be used by anyone other than these specified parties.

*Cuni & Parichi, Inc.*

Cleveland, Ohio  
June 20, 2003

# **CITY OF WARRENSVILLE HEIGHTS, OHIO**

## SCHEDULE OF FINDINGS

**DECEMBER 31, 2002**

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### 1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any material reported noncompliance at the financial statement level (GAGAS)?	Yes

### 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

02-1 Issuance of Purchase Orders

Per ORC Section 5705.41(D), no orders or contracts involving the expenditure of money are to be made unless there is attached a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

During our review of expenditures, Ciuni & Panichi, Inc. noted several instances where purchase orders were issued after the City received the invoice

### 3. OTHER FINDINGS

None noted.

# **CITY OF WARRENSVILLE HEIGHTS, OHIO**

## SCHEDULE OF PRIOR AUDIT FINDINGS

**DECEMBER 31, 2002**

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Ohio Revised Code Section 5705.41 (D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. It was noted that 51 percent of the expenditures tested the purchase orders were dated after the invoice date and the instances noted did not fall within any exceptions to the Code Section.

The City is in noncompliance again in the current year.

**CITY OF WARRENSVILLE HEIGHTS**

**4301 WARRENSVILLE CENTER ROAD  
WARRENSVILLE HEIGHTS, OHIO 44128  
(216) 587-6508**

RESPONSE TO FINDINGS ASSOCIATED WITH AUDIT CONDUCTED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
FOR THE YEAR ENDED DECEMBER 31, 2002

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
02-1	The City will monitor expenditures to ensure that they have been properly encumbered	December 31, 2003	Rubin K. Moultrie, Director of Finance



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**CITY OF WARRENSVILLE HEIGHTS**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 14, 2003**