

**CITY OF NORTON, OHIO**

**AUDIT REPORT**

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

*Charles E. Harris & Associates, Inc.*  
Certified Public Accountants





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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To the Honorable Mayor and Members of Council  
City of Norton  
Norton, Ohio

We have reviewed the Independent Auditor's Report of the City of Norton, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 1999 to December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

**JIM PETRO**  
Auditor of State

August 20, 2001

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CITY OF NORTON, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 1999

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CITY OF NORTON, OHIO

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CITY OF NORTON, OHIO

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- General Long-Term Debt Account Group



*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

The Honorable Mayor and Members of City Council  
City of Norton  
Norton, Ohio

We have audited the accompanying general purpose financial statements of the City of Norton (the City), as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 1999 and the results of its operations for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 27, 2001 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 audit.

*Charles E. Harris & Associates, Inc.*  
July 27, 2001

CITY OF NORTON, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 1999

	GOVERNMENTAL FUND TYPES				FIDUCIARY	ACCOUNT GROUPS		TOTALS
	General	Special Revenue	Capital Projects	Debt Service	FUND TYPE Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 138,675	\$ 723,219	\$1,452,682	\$ 19,855	\$ 81,026	\$ 0	\$ 0	\$ 2,415,457
Receivables:								
Taxes	321,131	1,101,477	0	275	0	0	0	1,422,883
Accounts	27,930	3,236	0	0	0	0	0	31,166
Intergovernmental	289,604	49,317	0	0	0	0	0	338,921
Prepaid Expenses	22,210	4,929	102,074	0	0	0	0	129,213
Supplies Inventory	954	8,572	0	0	0	0	0	9,526
Fixed Assets	0	0	0	0	0	7,980,406	0	7,980,406
Amount Available for Retirement of General Long-Term Obligations - Debt	0	0	0	0	0	0	19,855	19,855
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0	0	602,357	602,357
<b>Total Assets</b>	<b>\$ 800,504</b>	<b>\$ 1,890,750</b>	<b>\$1,554,756</b>	<b>\$ 20,130</b>	<b>\$ 81,026</b>	<b>\$ 7,980,406</b>	<b>\$ 622,212</b>	<b>\$ 12,949,784</b>

CITY OF NORTON, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 1999  
 (CONTINUED)

	GOVERNMENTAL FUND TYPES				FIDUCIARY	ACCOUNT GROUPS		TOTALS
	General	Special Revenue	Capital Projects	Debt Service	FUND TYPE Agency	General Fixed Assets	General Long-Term Debt	-(Memorandum Only)
<b>LIABILITIES</b>								
Accounts Payable	\$ 83,916	\$ 72,523	\$ 36,286	\$ 0	\$ 31,324	\$ 0	\$ 0	\$ 224,049
Accrued Wages and Benefits	36,008	17,121	0	0	0	0	0	53,129
Refundable Deposits	0	0	0	0	49,702	0	0	49,702
Deferred Revenues	356,240	698,959	0	275	0	0	0	1,055,474
Contracts Payable	0	0	0	0	0	0	0	0
Notes Payable	0	0	1,055,000	0	0	0	0	1,055,000
Claims Payable	14,841	0	0	0	0	0	0	14,841
Special Assessment Bonds Payable	0	0	0	0	0	0	105,000	105,000
Compensated Absences Payable	17,292	4,313	0	0	0	0	425,456	447,061
Accrued Pension Liability	0	0	0	0	0	0	91,756	91,756
<b>Total Liabilities</b>	<b>\$ 508,297</b>	<b>\$ 792,916</b>	<b>\$1,091,286</b>	<b>\$ 275</b>	<b>\$ 81,026</b>	<b>\$ 0</b>	<b>\$ 622,212</b>	<b>\$ 3,096,012</b>
<b>FUND EQUITY</b>								
Investment in General Fixed Assets	0	0	0	0	0	7,980,406	0	7,980,406
Fund Balance:								
Reserved for Encumbrances	0	0	470,691	0	0	0	0	470,691
Reserved for Inventory of Supplies	954	8,572	0	0	0	0	0	9,526
Reserved for Prepaid Items	22,210	4,929	102,074	0	0	0	0	129,213
Reserved for Debt Service	0	0	0	19,855	0	0	0	19,855
Unreserved:								
Undesignated	269,043	1,084,333	(109,295)	0	0	0	0	1,244,081
<b>Total Fund Equity</b>	<b>292,207</b>	<b>1,097,834</b>	<b>463,470</b>	<b>19,855</b>	<b>0</b>	<b>7,980,406</b>	<b>0</b>	<b>9,853,772</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 800,504</b>	<b>\$ 1,890,750</b>	<b>\$1,554,756</b>	<b>\$ 20,130</b>	<b>\$ 81,026</b>	<b>\$ 7,980,406</b>	<b>\$ 622,212</b>	<b>\$ 12,949,784</b>

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF NORTON, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 1999

	GOVERNMENTAL FUND TYPES				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	
<b>REVENUES</b>					
Taxes	\$ 401,617	\$ 2,973,254	\$ 0	\$ 0	\$ 3,374,871
Intergovernmental Revenues	939,405	464,681	0	0	1,404,086
Special Assessments	0	0	0	13,590	13,590
Charges for Services	5,698	2,730	0	0	8,428
Fines, Licenses, and Permits	271,968	33,731	0	0	305,699
Interest	38,387	76,116	0	0	114,503
Miscellaneous	420	15,204	0	0	15,624
Total Revenues	<u>1,657,495</u>	<u>3,565,716</u>	<u>0</u>	<u>13,590</u>	<u>5,236,801</u>
<b>EXPENDITURES</b>					
Current Operations and Maintenance					
Security of Persons and Property	1,448,699	597,152	0	0	2,045,851
Public Health Services	0	4,543	0	0	4,543
Leisure Time Activities	64,033	13,124	0	0	77,157
Community Environment	72,080	144	0	0	72,224
Basic Utility Services	0	250	1,143	0	1,393
Transportation	0	679,892	23,955	0	703,847
General Government	968,609	11,657	11,947	0	992,213
Capital Outlay	2,787	1,163	1,242,107	0	1,246,057
Debt Service:					
Principal	0	0	0	5,000	5,000
Interest and Other Charges	0	0	5,721	7,260	12,981
Total Expenditures	<u>2,556,208</u>	<u>1,307,925</u>	<u>1,284,873</u>	<u>12,260</u>	<u>5,161,266</u>
Excess Revenue Over (Under)					
Expenditures	<u>(898,713)</u>	<u>2,257,791</u>	<u>(1,284,873)</u>	<u>1,330</u>	<u>75,535</u>
<b>OTHER FINANCING SOURCES (Uses)</b>					
Transfers In	1,997,454	365,000	1,042,721	2,292	3,407,467
Transfers Out	(1,146,113)	(2,261,354)	0	0	(3,407,467)
Other Sources	48,047	13,128	125,379	0	186,554
Other Uses	(7,213)	(359,160)	0	0	(366,373)
Total Other Financing Sources (Uses)	<u>892,175</u>	<u>(2,242,386)</u>	<u>1,168,100</u>	<u>2,292</u>	<u>(179,819)</u>
Excess of Revenues and Other Financing Sources Over (Under)					
Expenditures and Other Uses	(6,538)	15,405	(116,773)	3,622	(104,284)
Fund Balance - Beginning of Year	300,505	1,098,634	580,243	16,233	1,995,615
Increase (Decrease) in					
Reserved for Inventory	(1,760)	(16,205)	0	0	(17,965)
Fund Balance - End of Year	<u>\$ 292,207</u>	<u>\$ 1,097,834</u>	<u>\$ 463,470</u>	<u>\$ 19,855</u>	<u>\$ 1,873,366</u>

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF NORTON, 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, 1999

	GENERAL FUND			SPECIAL REVENUE FUND		
	Revised Budget	Actual	Variance- Favorable (Unfavorable)	Revised Budget	Actual	Variance- Favorable Unfavorable)
<b>REVENUE RECEIPTS</b>						
Taxes	\$ 283,341	\$ 401,027	\$ 117,686	\$ 3,302,854	\$ 2,956,116	\$ (346,738)
Intergovernmental Revenues	829,495	877,457	47,962	677,808	463,388	(214,420)
Special Assessments	0	0	0	0	0	0
Charges for Services	5,661	5,698	37	1,454	2,730	1,276
Fines, Licenses, and Permits	303,880	265,962	(37,918)	30,402	32,245	1,843
Interest	0	38,387	38,387	11,580	76,116	64,536
Miscellaneous	8,819	420	(8,399)	29,751	15,204	(14,547)
Total Revenues	1,431,196	1,588,951	157,755	4,053,849	3,545,799	(508,050)
<b>EXPENDITURES</b>						
<b>Current</b>						
Security of Persons and Property	1,435,602	1,445,647	(10,045)	660,935	606,930	54,005
Public Health Services	0	0	0	2,200	910	1,290
Leisure Time Activities	65,240	65,134	106	33,300	13,367	19,933
Community Environment	75,350	73,068	2,282	3,063	144	2,919
Basic Utility Services	0	0	0	123,000	250	122,750
Transportation	0	0	0	782,085	691,716	90,369
General Government	1,111,247	959,101	152,146	29,386	11,580	17,806
Capital Outlay	0	2,787	(2,787)	3,818	1,163	2,655
Debt Service:						
Principal	0	0	0	0	0	0
Interest and Other Charges	0	0	0	0	0	0
Total Expenditures	2,687,439	2,545,737	141,702	1,637,787	1,326,060	311,727
Excess Revenue Over (Under) Expenditures	(1,256,243)	(956,786)	299,457	2,416,062	2,219,739	(196,323)
<b>OTHER FINANCING SOURCES (Uses)</b>						
<b>Proceeds from Sale of Debt</b>						
Sale of Notes	0	0	0	0	0	0
Other Proceeds from Sale of Debt	0	0	0	0	0	0
Transfers In	2,337,154	1,997,454	(339,700)	380,000	365,000	(15,000)
Transfers Out	(1,254,989)	(1,146,113)	108,876	(2,334,769)	(2,261,354)	73,415
Other Sources	0	48,350	48,350	2,600	13,128	10,528
Other Uses	(10,729)	(7,213)	3,516	(532,186)	(313,371)	218,815
Total Other Financing Sources (Uses)	1,071,436	892,478	(178,958)	(2,484,355)	(2,196,597)	287,758
Excess of Revenues and Other Financing Sources Over (Under) Expenditure and Other Uses	(184,807)	(64,308)	120,499	(68,293)	23,142	91,435
Fund Balance - Beginning of Year	202,983	202,983	0	700,077	700,077	0
Fund Balance - End of Year	\$ 18,176	\$ 138,675	\$ 120,499	\$ 631,784	\$ 723,219	\$ 91,435

(Continued)

The notes to the general purpose financial statements are an integral part of this statement.

CITY OF NORTON, 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, 1999  
 (CONTINUED)

	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
	Revised Budget	Actual	Variance- Favorable (Unfavorable)	Revised Budget	Actual	Variance- Favorable Unfavorable)
<b>REVENUE RECEIPTS</b>						
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0	0	0	0
Special Assessments	12,260	13,590	1,330	0	0	0
Charges for Services	0	0	0	0	0	0
Fines, Licenses, and Permits	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	12,260	13,590	1,330	0	0	0
<b>EXPENDITURES</b>						
<u>Current</u>						
Security of Persons and Property	0	0	0	0	0	0
Public Health Services	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Basic Utility Services	0	0	0	1,060	1,059	1
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Capital Outlay	0	0	0	2,883,544	1,463,367	1,420,177
Debt Service:						
Principal	211,000	211,000	0	0	0	0
Interest and Other Charges	16,260	12,971	3,289	0	0	0
Total Expenditures	227,260	223,971	3,289	2,884,604	1,464,426	1,420,178
Excess Revenue Over (Under) Expenditures	(215,000)	(210,381)	4,619	(2,884,604)	(1,464,426)	1,420,178
<b>OTHER FINANCING SOURCES (Uses)</b>						
Proceeds from Sale of Debt:						
Sale of Notes	0	0	0	789,200	1,055,000	265,800
Other Proceeds from Sale of Debt	0	0	0	80,000	0	(80,000)
Transfers In	215,000	214,013	(987)	1,157,800	831,000	(326,800)
Transfers Out	0	0	0	0	0	0
Other Sources	0	0	0	551,000	125,379	(425,621)
Other Uses	0	0	0	0	0	0
Total Other Financing Sources(Uses)	215,000	214,013	(987)	2,578,000	2,011,379	(566,621)
Excess of Revenues and Other Financing Sources Over(Under) Expenditures and Other Uses	0	3,632	3,632	(306,604)	546,953	853,557
Fund Balance-Beginning of Year	16,223	16,223	0	905,729	905,729	0
Fund Balance - End of Year	\$ 16,223	\$ 19,855	\$ 3,632	\$ 599,125	\$ 1,452,682	\$ 853,557

The notes to the general purpose financial statements are an integral part of this statement.

CITY OF NORTON, 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, 1999  
 (CONTINUED)

	<u>TOTALS (MEMORANDUM ONLY)</u>		
	Revised Budget	Actual	Variance- Favorable (Unfavorable)
<b><u>REVENUE RECEIPTS</u></b>			
Taxes	\$ 3,586,195	\$ 3,357,143	\$ (229,052)
Intergovernmental Revenue	1,507,303	1,340,845	(166,458)
Special Assessments	12,260	13,590	1,330
Charges for Services	7,115	8,428	1,313
Fines, Licenses, and Permits	334,282	298,207	(36,075)
Interest	11,580	114,503	102,923
Miscellaneous	38,570	15,624	(22,946)
Total Revenues	5,497,305	5,148,340	(348,965)
<b><u>EXPENDITURES</u></b>			
<b><u>Current</u></b>			
Security of Persons and Property	2,096,537	2,052,577	43,960
Public Health Services	2,200	910	1,290
Leisure Time Activities	98,540	78,501	20,039
Community Environment	78,413	73,212	5,201
Basic Utility Services	124,060	1,309	122,751
Transportation	782,085	691,716	90,369
General Government	1,140,633	970,681	169,952
Capital Outlay	2,887,362	1,467,317	1,420,045
Debt Service:			
Principal	211,000	211,000	0
Interest and Other Charges	16,260	12,971	3,289
Total Expenditures	7,437,090	5,560,194	1,876,896
Total Revenue Over (Under) Expenditures	(1,939,785)	(411,854)	1,527,931
<b><u>OTHER FINANCING SOURCES (Uses)</u></b>			
<b><u>Proceeds from Sale of Debt</u></b>			
Sale of Notes	789,200	1,055,000	265,800
Other Proceeds from Sale of Debt	80,000	0	(80,000)
Transfers In	4,089,954	3,407,467	(682,487)
Transfers Out	(3,589,758)	(3,407,467)	182,291
Other Sources	553,600	186,857	(366,743)
Other Uses	(542,915)	(320,584)	222,331
Total Other Financing Sources(Uses)	1,380,081	921,273	(458,808)
Excess of Revenues and Other Financing Sources Over(Under) Expenditures and Other Uses	(559,704)	509,419	1,069,123
Fund Balance - Beginning of Year	1,825,012	1,825,012	0
Fund Balance - End of Year	\$ 1,265,308	\$ 2,334,431	\$ 1,069,123

The notes to the general purpose financial statements are an integral part of this statement.

CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

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

A. **Reporting Entity**

The City of Norton, Ohio is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City operates under a council-mayor form of government and provides the following services: public safety, public services, health, recreation and community development.

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, 1999, and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

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

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



CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

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

**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. Amounts in the "Total - (Memorandum Only)" columns in the general purpose financial statements represent a summation of the combined groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different bases of accounting, both restricted and unrestricted amounts, interfund transactions that have not been eliminated, and the caption "Amounts to be Provided", which does not represent an asset. Consequently, amounts shown in the "Total - (Memorandum Only)" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures of the City. The City uses the following fund categories, fund types, and account groups:

**Governmental Funds**

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

*General Fund* - To account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose, provided it is expended or transferred in accordance with the Charter and legislation of the City of Norton and or the general laws of the State of Ohio.

*Special Revenue Funds* - To account for the revenues derived from specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures 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.

CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

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

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

**Governmental Funds** (Continued)

**Capital Projects Funds** - To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Fiduciary Funds**

**Agency Funds** - To account for assets held by the City as an agency for others and payroll deductions withheld and awaiting payment. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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** - To account for all fixed assets of the City.

**General Long-Term Obligations Account Group** - To account for all unmatured long-term obligations of the City.

C. **Basis of Accounting**

All governmental fund types are accounted for on the modified accrual basis of accounting and the flow of financial resources measurement focus. Governmental revenues are recognized when they become measurable and available to financial expenditures of the current period. Expenditures are recognized when the related fund liability is incurred, if measurable, with the exception of accumulated unpaid employee compensation which is not payable from expendable financial resources. Agency funds are purely custodial (assets equal liabilities), do not involve measurement of results of operations, and are accounted for on the modified accrual basis of accounting.

CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

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

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

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). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made.

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 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 Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents 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 NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

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

D. **Budgetary Process** (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. Budgetary modifications may only be made by ordinance of the City Council.

The City's budgetary process is as follows:

1. **Tax Budget**

A tax budget of estimated revenues 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. All funds, except for Agency funds, are legally required to be budgeted.

2. **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 receipts of each fund. On or about January 1, this 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 a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 1999 unencumbered fund balances. However, those fund balances are available for appropriation.

CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

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

D. **Budgetary Process** (Continued)

3. Appropriations

A temporary appropriation measure to control the level of expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year to the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

As part of formal budgetary control, contracts and other commitments for the expenditures 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 appropriations 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 expenditures for governmental funds.

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. At the close of each fiscal year, encumbered appropriation balances lapse and are reencumbered and reappropriated to the subsequent fiscal year, with the exception of contract commitments in the capital projects fund.

5. Governmental Fund Budgets

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, appropriations, and encumbrances.

CITY OF NORTON, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1999  
 (CONTINUED)

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

D. **Budgetary Process** (Continued)

5. **Governmental Fund Budgets** (Continued)

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types, are presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Short-term note proceeds and note principal retirement for governmental funds are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ (6,538)	\$ 15,405	\$ 3,622	\$(116,773)
Increase (Decrease) due to:				
Revenue Accruals	(68,241)	(19,917)	211,721	(211,721)
Expenditure Accruals	10,471	27,654	(5,711)	(179,553)
Debt Proceeds	0	0	0	1,055,000
Debt Retirement	0	0	(206,000)	0
Budget Basis	<u>\$ (64,308)</u>	<u>\$ 23,142</u>	<u>\$ 3,632</u>	<u>\$ 546,953</u>

CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

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

E. **Investments**

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 "Cash and Cash Equivalents" on the combined balance sheet.

The City complies with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. As a governmental entity other than an external investment pool in accordance with GASB 31, the City's investments are stated at market value, except for interest-earnings investment contracts and external investment pools (see Note 5).

In applying GASB 31, the City utilized the following methods and assumptions as of December 31, 1999:

The portfolio was limited to a repurchase agreement in First Merit Bank;

Market value is based on quoted market prices as of the valuation date. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost;

Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the general fund to the extent its cash and investment balances exceeds the cumulative value of those investments subject to GASB 31.

The City's policy is to hold investments until maturity, or until market values equal or exceed cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund and special revenue fund during fiscal year 1999 amounted to \$38,387 and \$76,116, respectively, which includes \$40,876 assigned from other City funds.

CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

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

E. **Investments** (Continued)

For purposes of the 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 within an initial maturity of more than three months are reported as investments.

F. **Cash and Cash Equivalents**

The City considers highly liquid investments with original maturities of three months or less to be cash equivalents.

G. **Fixed Assets**

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental type funds and capitalized (recorded and accounted for) in the general fixed asset account group. Infrastructure fixed assets such as water lines and storm sewers are capitalized and are reported as part of the general fixed asset account group.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are recorded at fair market value at the date received.

H. **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, 1999. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.



CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

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

H. **Compensated Absences** (Continued)

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 expendable available compensated absences and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the general long-term obligations account group.

I. **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 long-term 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.

J. **Deferred Revenue**

Deferred revenue consists of property taxes. Although property taxes receivables are measurable, they are recorded and deferred until they become available because the revenue is not available soon enough in the subsequent year to finance current period obligations.

CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

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

K. **Inventory**

Inventory is stated at cost on a first-in, first-out basis. The cost is recorded as an expenditure at the time inventory is consumed (consumption method). 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.

L. **Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond December 31, 1999 are recorded as prepaid items. A portion of the relevant funds balances equal to the prepaid items has been reserved to indicate that is not available for appropriation.

M. **Reserves of Fund Equity**

Reserves of fund equity in governmental funds indicate that a portion of fund balance is not available for expenditures or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, prepaids, and debt service.

N. **Total Columns on Financial Statements**

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

CITY OF NORTON, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1999  
 (CONTINUED)

NOTE 2: **ACCOUNTABILITY AND COMPLIANCE**

**Legal Compliance and Accountability**

Section 5705.41(B), Ohio Revised Code, states that no subdivision shall make any expenditure of money unless it has been appropriated. Section 5705.41(D), Ohio Revised Code, states in part that encumbrances should be charged against proper appropriations and actual disbursements plus outstanding encumbrances should not be greater than the total appropriations. The following fund has expenditures in excess of appropriations:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General:			
Security of Persons and Property	\$1,435,602	\$1,445,647	\$ (10,045)
Capital Outlay	0	2,787	(2,787)

NOTE 3: **PROPERTY TAXES**

Real property taxes were levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last appraisal was completed for tax year 1995.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended December 31, 1999 was \$6.50 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$5.19 per \$1000 of assessed valuation of real property classified as residential/agricultural and \$5.61 per \$1000 of assessed evaluation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 1999 was \$6.50 per \$1000 of assessed valuation.

CITY OF NORTON, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1999  
 (CONTINUED)

NOTE 3: **PROPERTY TAXES** (Continued)

<u>Real Estate - 1998 Valuation</u>	
Residential/Agricultural	\$ 130,438,720
Commercial/Industrial	26,509,620
Public Utilities	10,490,480
General Tangible Personal Property - 1999 Valuation	21,404,032
	<u>\$ 188,842,852</u>

The Summit County Treasurer collects property tax on behalf of all taxing districts within the County. The Summit County Auditor periodically remits to the taxing districts their portions of the taxes collected. Such collections are available only to pay current period liabilities.

NOTE 4: **MUNICIPAL INCOME TAXES**

The City levies a municipal income tax of 1.5% on all salaries, wages, commissions, and other compensation, and net profits earned within the City, as well as incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and file a final return annually.

Ohio law requires all municipal income tax rates above 1% to be voted by the residents of the municipality.

NOTE 5: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The City maintains a separate cash and investment pool that is available for use by all funds and accounts. Each fund type's portion of this pool is displayed on the combined balance sheet as Cash and Cash Equivalents.

CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

NOTE 5: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**  
(Continued)

Legal Requirements - Statutes require the classifications of monies held by the City into three categories:

*Category 1* - consists of “active” monies, those monies required to be kept in a “cash” or a “near-cash” status for immediate use by the City. Such monies must be maintained either as cash in the City’s treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

*Category 2* - consists of “inactive” monies, those monies not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

*Category 3* - consists of “interim” monies, those monies which are not needed for immediate use but which will be needed before the end of the current period of depositories.

Legislation permits interim monies to be invested or deposited in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be directly issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

NOTE 5: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**  
(Continued)

4. Interim deposits in eligible institutions applying for interim funds;
5. Bonds or other obligations of the State of Ohio;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreement secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAROhio).

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation, or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, collateral held in single financial collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

**Deposits**

The Governmental Accounting Standards Board has established risk categories for deposits as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

CITY OF NORTON, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1999  
 (CONTINUED)

NOTE 5: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**  
 (Continued)

**Deposits** (Continued)

Category 3 - Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in the City's name.

All deposits are carried at cost. At year end, the carrying amount of the City's cash and deposits was \$295,457 and the bank balance was \$358,571. Of the bank balance, \$200,000 was insured by the FDIC and \$158,571 was classified as Risk Category 3.

**Investments**

The Governmental Accounting Standards Board has established risk categories for investments as follows:

Category 1 - 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 - Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3 - 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's categorized investments at December 31, 1999 were as follows:

	<u>Financial Institution</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase Agreement (Risk Category 3)	First Merit	\$ 2,120,000	\$ 2,120,000
Total Investments		<u>\$ 2,120,000</u>	<u>\$ 2,120,000</u>

CITY OF NORTON, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1999  
 (CONTINUED)

NOTE 5: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**  
 (Continued)

**Investments** (Continued)

Cash balances and investments of fund types are as follows:

Governmental Fund Types	
General Fund	\$ 138,675
Special Revenue Fund	723,219
Debt Service Fund	19,855
Capital Projects Fund	1,452,682
Fiduciary Fund Types	
Agency Funds	81,026
	<u>\$ 2,415,457</u>

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3. The captions on the combined balance sheet related to cash and cash equivalents as follows:

	<u>Cash/Cash</u>	<u>Investments</u>
	<u>Equivalents</u>	
GASB Statement No. 9	\$2,415,457	\$ 0
Investments:		
Repurchase Agreements	(2,120,000)	2,120,000
GASB Statement No. 3	<u>\$ 295,457</u>	<u>\$ 2,120,000</u>



CITY OF NORTON, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1999  
 (CONTINUED)

NOTE 6: **RECEIVABLES**

The receivables at December 31, 1999 consist of taxes, intergovernmental receivables arising from grants, entitlements, or shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

<u>FUND TYPE/FUND</u>	<u>AMOUNTS</u>
<u>General Fund</u>	
Estate Tax	\$ 140,437
Local Government Support	15,977
Local Government Revenue Assistance	130,650
Liquor Permits	2,540
Total General Fund	<u>289,604</u>
<u>Special Revenue Funds</u>	
<u>Street Maintenance</u>	
Gasoline Tax	38,684
Motor Vehicle License Tax	5,123
Total	<u>43,807</u>
<u>State Highway</u>	
Gasoline Tax	3,136
Motor Vehicle License Tax	415
Total	<u>3,551</u>
<u>Permissive</u>	
Permissive Tax	1,959
Total	<u>1,959</u>
Total Special Revenue Funds	<u>49,317</u>
Total All Funds	<u><u>\$ 338,921</u></u>

CITY OF NORTON, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1999  
 (CONTINUED)

NOTE 7: **FIXED ASSETS**

The general fixed assets in 1999 were as follows:

<u>Description</u>	<u>January 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 1999</u>
Land	\$ 176,350	\$ 116,000	\$ 0	\$ 292,350
Buildings & Improvements	1,502,540	0	0	1,502,540
Furniture, Fixtures, Machinery & Equipment	1,418,238	71,229	(60,079)	1,429,388
Infrastructure	3,355,263	0	(1,000)	3,354,263
Vehicle	1,280,439	264,098	(142,672)	1,401,865
Total	<u>\$ 7,732,830</u>	<u>\$ 451,327</u>	<u>\$(203,751)</u>	<u>\$ 7,980,406</u>

NOTE 8: **PENSION AND RETIREMENT**

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

A. **Public Employees Retirement System (the PERS of Ohio)**

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

1. **Pension Benefit Obligations**

All employees of the City, except non-administrative full-time uniformed police officers and full-time firefighters, participate in the PERS of Ohio, a cost-sharing multiple-employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085.

CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

NOTE 8: **PENSION AND RETIREMENT** (Continued)

A. **Public Employees Retirement System (the PERS of Ohio)** (Continued)

1. **Pension Benefit Obligations** (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 1999 employer rate for local government employer units was 13.55% of covered payroll, 9.35% to fund pension benefit obligation and 4.20% to fund health care. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. 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, 1999, 1998, and 1997, were \$162,275, \$158,961, and \$156,753. The full amount has been contributed for 1998 and 1997, 73% has been contributed for 1999 with the remainder reported in the general long term debt account groups.

2. **Other Postemployment Benefits**

In addition to the pension benefit obligation described above, the PERS of Ohio provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefits (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 for employer contributions. The 1999 employer contribution rate for local government employers was 13.55% of covered payroll; 4.20% was the portion that was used to fund health care for 1999, which amounted to \$50,299 of covered payroll.

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

CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

NOTE 8: **PENSION AND RETIREMENT** (Continued)

A. **Public Employees Retirement System (the PERS of Ohio)** (Continued)

2. **Other Postemployment Benefits** (Continued)

Other Postemployment Benefits are financed through employer contributions and investments earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for Other Postemployment Benefits during 1999 were \$523,599,349. As of December 31, 1998, the unaudited estimated net assets available for future Other Postemployment Benefits payments were \$9,870,285,641. The number of benefit recipients for Other Postemployment Benefits at December 31, 1999 was 118,063. During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. **Police and Firemen's Disability and Pension Fund (the PFDPF System of Ohio)**

The following information was provided by the PFDPF System of Ohio to assist the City in complying with GASB Statement No. 27.

1. **Pension Benefit Obligations**

All City full-time police officers and full-time firefighters participate in the Police and Firemen's Disability and Pension Fund of Ohio (the "PFDPF System of Ohio"), a cost-sharing multiple-employer defined benefit pension plan. The PFDPF System of Ohio 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. The Police and Firemen's Disability and Pension Fund of Ohio issues a publicly available financial report that includes financial statements and required supplementary information for the PFDPF System of Ohio. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

CITY OF NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

NOTE 8: **PENSION AND RETIREMENT** (Continued)

**B. Police and Firemen's Disability and Pension Fund (the PFDPF System of Ohio)**  
(Continued)

1. **Pension Benefit Obligations** (Continued)

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the PFDPF System of Ohio for the years ending December 31, 1999, 1998, and 1997 were \$164,650, \$162,685, and \$146,313 respectively. The full amount has been contributed for 1998 and 1997, 71% has been contributed for 1999 with the remainder reported in the general long term debt account group.

2. **Other Postemployment Benefits**

The PFDPF System of Ohio provides postretirement health care coverage to any person who receives 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 Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll. The Ohio Revised Code provides statutory authority for employer contributions and allows the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. Currently, 6.5% of covered payroll, the Board-defined allocation, is used to pay retiree health care expenses. 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 NORTON, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(CONTINUED)

NOTE 8: **PENSION AND RETIREMENT** (Continued)

B. **Police and Firemen's Disability and Pension Fund (the PFDPF System of Ohio)**  
(Continued)

2. **Other Postemployment Benefits** (Continued)

The number of participants eligible to receive health care benefits as of December 31, 1998 (the latest information available) is 11,424 for police and 9,186 for firefighters. Employer contributions used to pay postemployment benefits were \$46,622 for police and \$6,712 for firefighters. The Fund's total health care expense for the year ending December 31, 1998 (the latest information available) was \$78,596,790, which was net of member contributions of \$5,331,515.

NOTE 9: **COMPENSATED ABSENCES**

In accordance with Government Accounting Standards Board (GASB) Statement 16, the City of Norton, Ohio has accrued a liability for compensated absences (vacation and sick leave) at December 31, 1999 along with any salary-related payments associated with the payment of compensated absences.

Sick leave for City employees is accrued at rates of 4.6 for every 80 hours. Employees who retire or terminate service after 10 years may convert 25 percent of accumulated sick leave days into a lump-sum payment within certain limitations. For governmental funds, the City recognized the current portion of this liability at December 31, 1999 that is expected to be liquidated with expendable available financial resources.

City employees generally earn vacation leave ranging from 5 to 25 days per year based on length of service. No more than the amount of vacation accrued in the previous twelve-month period can be carried forward into the next calendar year without written consent of the City Mayor. For governmental fund types, accumulated vacation leave is recorded as a liability within the respective fund types since it has to be used in the following year or be forfeited.

CITY OF NORTON, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1999  
 (CONTINUED)

NOTE 9: **COMPENSATED ABSENCES** (Continued)

The following is a summary of compensated absences payable by funds and groups.

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>General Long-Term Account Group</u>
Sick Leave	\$ 8,045	\$ 946	\$ 339,231
Holiday	2,615	0	7,793
Vacation Leave	4,791	2,372	67,702
Comp	1,841	995	10,730
Totals	<u>\$ 17,292</u>	<u>\$ 4,313</u>	<u>\$ 425,456</u>

NOTE 10: **SHORT-TERM DEBT**

Short-term debt outstanding at December 31, 1999 consisted of the following:

<u>Description</u>	<u>January 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 1999</u>
Bond Anticipation Note -				
- Wooster Road Sanitary Sewer (Waterline portion)	\$ 56,000	\$ 500,000	\$ (56,000)	\$ 500,000
- 1999 Streets Program	50,000	275,000	(50,000)	275,000
- Multi-Purpose Equipment	50,000	200,000	(50,000)	200,000
- Park Land Purchase	0	80,000	0	80,000
- Municipal Sanitary Sewer System (Wooster Road Sanitary Sewer Project)	50,000	0	(50,000)	0
Total	<u>\$ 206,000</u>	<u>\$1,055,000</u>	<u>\$(206,000)</u>	<u>\$1,055,000</u>

CITY OF NORTON, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1999  
 (CONTINUED)

NOTE 11: **LONG-TERM DEBT**

Long-term obligations of the City at December 31, 1999 are as follows:

<u>Description</u>	<u>Balance at</u> <u>01/01/99</u>	<u>Additions/</u> <u>(Reductions)</u>	<u>Balance at</u> <u>12/31/99</u>
Special Assessment Bonds	\$ 110,000	\$ (5,000)	\$ 105,000
Total Bond Indebtness	<u>\$ 110,000</u>	<u>\$ (5,000)</u>	<u>\$ 105,000</u>
<u>Other Long-Term Obligations:</u>			
Accrued Compensated Absences	\$ 483,854	\$ (58,398)	\$ 425,456
Accrued Pension Liability	93,728	(1,972)	91,756
Total Other Long-Term Obligations	<u>577,582</u>	<u>(60,370)</u>	<u>517,212</u>
<b>TOTAL LONG-TERM DEBT</b>	<u><u>\$ 687,582</u></u>	<u><u>\$ (65,370)</u></u>	<u><u>\$ 622,212</u></u>

Principal and interest requirements to retire long-term obligations outstanding at December 31, 1999 are:

	<u>Obligation</u> <u>Bonds</u>
2000	\$ 11,930
2001	11,600
2002	11,270
2003	10,940
2004	10,610
2005-2009	48,100
2010-2014	49,520
2015-2016	21,980
Total	<u>175,950</u>
Less Interest	<u>(70,950)</u>
Outstanding Principal	<u><u>\$ 105,000</u></u>



CITY OF NORTON, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1999  
 (CONTINUED)

NOTE 12: **CLAIMS AND JUDGMENTS**

There are a few lawsuits pending in which the City is involved. City management estimates that the potential claims against the City not covered by insurance resulting from litigation would not materially affect the financial statements of the City.

The City has received federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon our experience, the City's management believes such disallowances, if any, will be immaterial.

NOTE 13: **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1999, the City contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Description</u>	<u>Deductible</u>
Ohio Casualty Ins. Co.	Bond-Public Employees	\$ 0
National Casualty Co.	Public Officials Liability	\$ 5,000
National Casualty Co.	Law Enforcement Liability	\$ 5,000
Wichert Insurance	Commercial Property	\$ 1,000
Wichert Insurance	Inland Marine	\$ 500
Wichert Insurance	Automobile Liability	\$ 250
Wichert Insurance	Automobile Collision	\$ 500
Wichert Insurance	General Liability	\$ 2,500
	\$1,000,000 per occurrence	
	\$2,000,000 aggregate	
Wichert Insurance	Umbrella Liability	\$ 10,000
Ohio Casualty Ins. Co.	Bond-Finance Director	\$ 0
Ohio Casualty Ins. Co.	Bond - Mayor	\$ 0
Ohio Casualty Ins. Co.	Bond - Administrator	\$ 0
Ohio Casualty Ins. Co.	Bond - Clerk of Mayor's Court	\$ 0
Wichert Insurance	Commercial Crime	\$ 0
Wichert Insurance	Ambulance and EMT Liability	\$ 0
	\$1,000,000 per occurrence	
	\$2,000,000 aggregate	
Wichert Insurance	Firemen's Errors and Omissions	\$ 0
	\$1,000,000 per occurrence	
	\$2,000,000 aggregate	

CITY OF NORTON, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1999  
 (CONTINUED)

NOTE 13: **RISK MANAGEMENT**

The City decided to stop carrying commercial insurance for health insurance because of its prohibitive cost and began covering all claim settlements and judgments out of its general fund resources. The City currently reports all of its risk management activities in the general fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

At December 31, the amount of these liabilities was \$14,841. This liability is the City's best estimate based on available information. Changes in the reported liability since December 31, 1999 resulted from the following:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current- Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
1998	\$ 6,337	\$ 390,771	\$(382,699)	\$ 14,409
1999	\$ 14,409	\$ 153,581	\$(153,149)	\$ 14,841

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

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 coverages in any of the past three fiscal years.

NOTE 14: **OPERATING TRANSFERS**

Following is a summary of operating transfers for the City for 1999.

<u>Fund</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
General Fund	\$1,997,454	\$1,146,113
Special Revenue	365,000	2,261,354
Capital Projects	1,042,721	0
Debt Service	2,292	0
	<u>\$3,407,467</u>	<u>\$3,407,467</u>

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

The Honorable Mayor and Members of the City Council  
City of Norton  
Norton, Ohio

We have audited the general purpose financial statements of the City of Norton, Ohio, as of and for the year ended December 31, 1999, and have issued our report thereon dated July 27, 2001, as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated July 27, 2001.

Internal Controls Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated July 27, 2001.

This report is intended solely for the information and use of City Council, management, others within the organization, and is not intended to be and should not be used by anyone other than these specific parties.

*Charles E. Harris & Associates, Inc.*  
July 27, 2001

## STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 1998 did not include material citations or recommendations.

**CITY OF NORTON, OHIO**

**AUDIT REPORT**

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

*Charles E. Harris & Associates, Inc.*  
Certified Public Accountants



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

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CITY OF NORTON, OHIO

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Environmental and Natural Resource

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Law Enforcement

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CITY OF NORTON, OHIO

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- Sick Leave
- Building Standards
- Mayor's Court

**GENERAL ACCOUNT GROUPS**

- General Fixed Asset Account Group
- General Long-Term Debt Account Group

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**REPORT OF INDEPENDENT ACCOUNTANTS**

The Honorable Mayor and Members of City Council  
City of Norton  
Norton, Ohio

We have audited the accompanying general purpose financial statements of the City of Norton (the City), as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2000 and the results of its operations for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 27, 2001 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 audit.

*Charles E. Harris & Associates, Inc.*  
July 27, 2001

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

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type Agency</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<b><u>Assets and Other Debits</u></b>								
Equity in Pooled Cash and Cash								
Equivalents	\$ 160,581	\$ 886,874	\$ 144,051	\$ 3,984,101	\$ 73,361	\$ 0	\$ 0	\$ 5,248,968
Cash and Cash								
Equivalents in Segregated Accounts	0	0	0	0	19,308	0	0	19,308
Receivables:								
Taxes	326,768	1,155,688	0	0	0	0	0	1,482,456
Accounts	10,259	6,570	0	12,613	0	0	0	29,442
Intergovernmental	326,705	147,000	0	0	0	0	0	473,705
Special Assessment	0	0	5,971	0	0	0	0	5,971
Inventory	2,827	4,070	0	0	0	0	0	6,897
Prepaid Items	22,085	10,332	0	694	0	0	0	33,111
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0	0	8,707,959	0	8,707,959
Other Debits:								
Amount Available in Debt Service Funds	0	0	0	0	0	0	144,051	144,051
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0	0	539,186	539,186
<b>Total Assets and Other Debits</b>	<b>\$ 849,225</b>	<b>\$ 2,210,534</b>	<b>\$ 150,022</b>	<b>\$ 3,997,408</b>	<b>\$ 92,669</b>	<b>\$ 8,707,959</b>	<b>\$ 683,237</b>	<b>\$ 16,691,054</b>

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type and Agency</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		<u>General Fixed Assets</u>	<u>Long-Term Obligations</u>	
<b><u>Liabilities, Fund Equity and Other Credits</u></b>								
<b><u>Liabilities</u></b>								
Accounts Payable	\$ 47,285	\$ 66,878	\$ 0	\$ 26,809	\$ 19,329	\$ 0	\$ 0	\$ 160,301
Claims Payable	62,738	0	0	0	0	0	0	62,738
Accrued Wages and Benefits	66,909	41,033	0	0	0	0	0	107,942
Funds Held on Deposit	0	0	0	0	73,340	0	0	73,340
Deferred Revenue	363,087	720,095	5,971	0	0	0	0	1,089,153
General Obligation Notes Payable	0	0	0	4,195,000	0	0	0	4,195,000
Special Assessment Commitment Bonds Payable	0	0	0	0	0	0	100,000	100,000
Compensated Absences Payable	11,396	5,823	0	0	0	0	505,881	523,100
Ohio Police and Fire Pension Accrued Liability	0	0	0	0	0	0	77,356	77,356
<b>Total Liabilities</b>	<b>551,415</b>	<b>833,829</b>	<b>5,971</b>	<b>4,221,809</b>	<b>92,669</b>	<b>0</b>	<b>683,237</b>	<b>6,388,930</b>
<b><u>Fund Equity and Other Credits</u></b>								
Investment in General Fixed Assets	0	0	0	0	0	8,707,959	0	8,707,959
Fund Balances: Reserved for:								
Inventory	2,827	4,070	0	0	0	0	0	6,897
Prepaid Items	22,085	10,332	0	694	0	0	0	33,111
Encumbrances	0	0	0	3,984,100	0	0	0	3,984,100
Debt Service	0	0	144,051	0	0	0	0	144,051
Unreserved:								
Undesignated	272,898	1,362,303	0	(4,209,195)	0	0	0	(2,573,994)
<b>Total Fund Equity and Other Credits</b>	<b>297,810</b>	<b>1,376,705</b>	<b>144,051</b>	<b>(224,401)</b>	<b>0</b>	<b>8,707,959</b>	<b>0</b>	<b>10,302,124</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 849,225</b>	<b>\$ 2,210,534</b>	<b>\$ 150,022</b>	<b>\$ 3,997,408</b>	<b>\$ 92,669</b>	<b>\$ 8,707,959</b>	<b>\$ 683,237</b>	<b>\$ 16,691,054</b>

See accompanying notes to the general purpose financial statements.

**CITY OF NORTON, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues</b>					
Taxes	\$ 291,662	\$ 3,125,665	\$ 0	\$ 66,184	\$ 3,483,511
Intergovernmental Revenue	1,108,671	551,526	0	44,225	1,704,422
Special Assessments	0	0	12,342	0	12,342
Charges for Services	4,811	960	0	0	5,771
Fines, Licenses, and Permits	291,098	34,216	0	0	325,314
Interest Income	92,621	76,958	0	79,160	248,739
Miscellaneous	121,084	38,854	0	224,289	384,227
<b>Total Revenues</b>	<b>1,909,947</b>	<b>3,828,179</b>	<b>12,342</b>	<b>413,858</b>	<b>6,164,326</b>
<b>Expenditures</b>					
Security of Persons and Property	1,426,510	707,335	0	0	2,133,845
Public Health Services	0	2,075	0	0	2,075
Leisure Time Activities	95,724	16,821	0	0	112,545
Community Environment	99,976	23,453	0	0	123,429
Basic Utilities Services	0	0	0	14,119	14,119
Transportation	0	743,479	0	0	743,479
General Government	1,160,358	7,301	0	10,424	1,178,083
Capital Outlay	234	2,044	0	2,076,866	2,079,144
Debt Service:					
Principal Retirement	0	0	5,000	0	5,000
Interest and Fiscal Charges	0	0	6,930	42,249	49,179
<b>Total Expenditures</b>	<b>2,782,802</b>	<b>1,502,508</b>	<b>11,930</b>	<b>2,143,658</b>	<b>6,440,898</b>
Excess of Revenues Over (Under) Expenditures	(872,855)	2,325,671	412	(1,729,800)	(276,572)
<b>Other Financing Sources (Uses)</b>					
Transfers In	2,105,890	387,500	123,784	1,041,929	3,659,103
Transfers Out	(1,229,305)	(2,429,798)	0	0	(3,659,103)
<b>Total Other Financing Sources (Uses)</b>	<b>876,585</b>	<b>(2,042,298)</b>	<b>123,784</b>	<b>1,041,929</b>	<b>0</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,730	283,373	124,196	(687,871)	(276,572)
Fund Balance - Beginning of Year	292,207	1,097,834	19,855	463,470	1,873,366
Increase (Decrease) in Reserve for Inventory	1,873	(4,502)	0	0	(2,629)
Fund Balance - End of Year	<b>\$ 297,810</b>	<b>\$ 1,376,705</b>	<b>\$ 144,051</b>	<b>\$ (224,401)</b>	<b>\$ 1,594,165</b>

See accompanying notes to the general purpose financial statements.

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

	GENERAL FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 301,228	\$ 302,471	\$ 1,243
Intergovernmental Revenues	1,060,119	1,072,780	12,661
Special Assessments	0	0	0
Charges for Services	6,050	4,811	(1,239)
Fines, Licenses, and Permits	269,250	297,960	28,710
Interest Income	86,700	92,621	5,921
Miscellaneous	234,161	121,084	(113,077)
<b>Total Revenues</b>	<b>1,957,508</b>	<b>1,891,727</b>	<b>(65,781)</b>
<b>Expenditures</b>			
Security of Persons and Property	1,496,816	1,452,185	44,631
Public Health Services	0	0	0
Leisure Time Activities	96,300	93,787	2,513
Community Environment	80,850	98,338	(17,488)
Basic Utilities Services	0	0	0
Transportation	0	0	0
General Governments	1,366,135	1,101,862	264,273
Capital Outlay	234	234	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>3,040,335</b>	<b>2,746,406</b>	<b>293,929</b>
Excess of Revenues Over (Under) Expenditures	(1,082,827)	(854,679)	228,148
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Notes	0	0	0
Transfers In	2,304,890	2,105,890	(199,000)
Transfers Out	(1,229,305)	(1,229,305)	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,075,585</b>	<b>876,585</b>	<b>(199,000)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,242)	21,906	29,148
Fund Balance - Beginning of Year	138,675	138,675	0
Fund Balance - End of Year	<u>\$ 131,433</u>	<u>\$ 160,581</u>	<u>\$ 29,148</u>

(Continued)

See accompanying notes to the general purpose financial statements.



**CITY OF NORTON, 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 FISCAL YEAR ENDED DECEMBER 31, 2000**

	SPECIAL REVENUE FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$3,093,647	\$3,046,801	\$ (46,846)
Intergovernmental Revenues	709,822	453,843	(255,979)
Special Assessments	0	0	0
Charges for Services	2,500	960	(1,540)
Fines, Licenses, and Permits	44,800	35,787	(9,013)
Interest Income	57,000	76,958	19,958
Miscellaneous	33,360	33,949	589
<b>Total Revenues</b>	<u>3,941,129</u>	<u>3,648,298</u>	<u>(292,831)</u>
<b>Expenditures</b>			
Security of Persons and Property	769,707	696,105	73,602
Public Health Services	7,000	2,095	4,905
Leisure Time Activities	25,600	15,983	9,617
Community Environment	322,593	23,455	299,138
Basic Utilities Services	60,125	0	60,125
Transportation	1,111,400	695,077	416,323
General Governments	18,977	7,586	11,391
Capital Outlay	17,400	2,044	15,356
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<u>2,332,802</u>	<u>1,442,345</u>	<u>890,457</u>
Excess of Revenues Over (Under) Expenditures	<u>1,608,327</u>	<u>2,205,953</u>	<u>597,626</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Notes	0	0	0
Transfers In	403,500	387,500	(16,000)
Transfers Out	(2,487,799)	(2,429,798)	58,001
<b>Total Other Financing Sources (Uses)</b>	<u>(2,084,299)</u>	<u>(2,042,298)</u>	<u>42,001</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(475,972)	163,655	639,627
Fund Balance - Beginning of Year	723,219	723,219	0
Fund Balance - End of Year	<u>\$ 247,247</u>	<u>\$ 886,874</u>	<u>\$ 639,627</u>

See accompanying notes to the general purpose financial statements.

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 53,971	\$ 53,971
0	0	0	0	44,225	44,225
11,930	12,342	412	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	79,160	79,160
0	0	0	450,000	223,889	(226,111)
<u>11,930</u>	<u>12,342</u>	<u>412</u>	<u>450,000</u>	<u>401,245</u>	<u>(48,755)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,015	1,015	0
0	0	0	0	0	0
0	0	0	1,354	1,353	1
0	0	0	10,272,431	2,007,138	8,265,293
1,110,000	1,060,000	50,000	0	0	0
56,930	49,179	7,751	0	0	0
<u>1,166,930</u>	<u>1,109,179</u>	<u>57,751</u>	<u>10,274,800</u>	<u>2,009,506</u>	<u>8,265,294</u>
<u>(1,155,000)</u>	<u>(1,096,837)</u>	<u>58,163</u>	<u>(9,824,800)</u>	<u>(1,608,261)</u>	<u>8,216,539</u>
840,000	840,000	0	9,450,000	3,355,000	(6,095,000)
975,000	381,033	(593,967)	846,300	784,680	(61,620)
0	0	0	0	0	0
<u>1,815,000</u>	<u>1,221,033</u>	<u>(593,967)</u>	<u>10,296,300</u>	<u>4,139,680</u>	<u>(6,156,620)</u>
660,000	124,196	(535,804)	471,500	2,531,419	2,059,919
19,855	19,855	0	1,452,682	1,452,682	0
<u>\$ 679,855</u>	<u>\$ 144,051</u>	<u>\$ (535,804)</u>	<u>\$1,924,182</u>	<u>\$3,984,101</u>	<u>\$2,059,919</u>

(Continued)

**CITY OF NORTON, 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 FISCAL YEAR ENDED DECEMBER 31, 2000**

	<u>TOTALS (MEMORANDUM ONLY)</u>		
	<u>Revised Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b><u>Revenues</u></b>			
Taxes	\$3,394,875	\$3,403,243	\$ 8,368
Intergovernmental Revenues	1,769,941	1,570,848	(199,093)
Special Assessments	11,930	12,342	412
Charges for Services	8,550	5,771	(2,779)
Fines, Licenses, and Permits	314,050	333,747	19,697
Interest Income	143,700	248,739	105,039
Miscellaneous	717,521	378,922	(338,599)
<b>Total Revenues</b>	<u>6,360,567</u>	<u>5,953,612</u>	<u>(406,955)</u>
<b><u>Expenditures</u></b>			
Security of Persons and Property	2,266,523	2,148,290	118,233
Public Health Services	7,000	2,095	4,905
Leisure Time Activities	121,900	109,770	12,130
Community Environment	403,443	121,793	281,650
Basic Utilities Services	61,140	1,015	60,125
Transportation	1,111,400	695,077	416,323
General Governments	1,386,466	1,110,801	275,665
Capital Outlay	10,290,065	2,009,416	8,280,649
Debt Service:			
Principal Retirement	1,110,000	1,060,000	50,000
Interest and Fiscal Charges	56,930	49,179	7,751
<b>Total Expenditures</b>	<u>16,814,867</u>	<u>7,307,436</u>	<u>9,507,431</u>
Excess of Revenues Over (Under) Expenditures	<u>(10,454,300)</u>	<u>(1,353,824)</u>	<u>9,100,476</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Proceeds from Sale of Notes	10,290,000	4,195,000	(6,095,000)
Transfers In	4,529,690	3,659,103	(870,587)
Transfers Out	(3,717,104)	(3,659,103)	58,001
<b>Total Other Financing Sources (Uses)</b>	<u>11,102,586</u>	<u>4,195,000</u>	<u>(6,907,586)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	648,286	2,841,176	2,192,890
Fund Balance - Beginning of Year	2,334,431	2,334,431	0
Fund Balance - End of Year	<u>\$2,982,717</u>	<u>\$5,175,607</u>	<u>\$2,192,890</u>

See accompanying notes to the general purpose financial statements.

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**

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

A. **Reporting Entity**

The City of Norton, Ohio is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City operates under a council-mayor form of government and provides the following services: public safety, public services, health, recreation and community development.

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, 2000, and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

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

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

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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

**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. Amounts in the “Total - (Memorandum Only)” columns in the general purpose financial statements represent a summation of the combined groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different bases of accounting, both restricted and unrestricted amounts, interfund transactions that have not been eliminated, and the caption “Amounts to be Provided”, which does not represent an asset. Consequently, amounts shown in the “Total - (Memorandum Only)” columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the City.

The City uses the following fund categories, fund types, and account groups:

**Governmental Funds**

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

*General Fund* - To account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose, provided it is expended or transferred in accordance with the Charter and legislation of the City of Norton and or the general laws of the State of Ohio.

*Special Revenue Funds* - To account for the revenues derived from specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures 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.

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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

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

**Governmental Funds** (Continued)

**Capital Projects Funds** - To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Fiduciary Funds**

**Agency Funds** - To account for assets held by the City as an agency for others and payroll deductions withheld and awaiting payment. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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** - To account for all fixed assets of the City.

**General Long-Term Obligations Account Group** - To account for all unmatured long-term obligations of the City.

C. **Basis of Accounting**

All governmental fund types are accounted for on the modified accrual basis of accounting and the flow of financial resources measurement focus. Governmental revenues are recognized when they become measurable and available to financial expenditures of the current period. Expenditures are recognized when the related fund liability is incurred, if measurable, with the exception of accumulated unpaid employee compensation which is not payable from expendable financial resources. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations, and are accounted for on the modified accrual basis of accounting.

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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

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

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). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made.

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 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 Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents 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 NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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

D. **Budgetary Process** (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. Budgetary modifications may only be made by ordinance of the City Council.

The City's budgetary process is as follows:

1. **Tax Budget**

A tax budget of estimated revenues 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. All funds, except for Agency funds, are legally required to be budgeted.

2. **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 receipts of each fund. On or about January 1, this 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 a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriation.



**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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

D. **Budgetary Process** (Continued)

3. **Appropriations**

A temporary appropriation measure to control the level of expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year to the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. **Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditures 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 appropriations 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 expenditures for governmental funds in the accompanying general purpose financial statements.

5. **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. At the close of each fiscal year, encumbered appropriation balances lapse and are reencumbered and reappropriated to the subsequent fiscal year, with the exception of contract commitments in the capital projects fund.

6. **Governmental Fund Budgets**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, appropriations, and encumbrances.

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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

D. **Budgetary Process** (Continued)

6. **Governmental Fund Budgets** (Continued)

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types, are presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Short-term note proceeds and note principal retirement for governmental funds are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ 3,730	\$ 283,373	\$ 124,196	\$ (687,871)
Increase (Decrease) due to:				
Revenue Accruals	2,305	(73,557)	257,249	(269,862)
Expenditure Accruals	15,871	(46,161)	(42,249)	134,152
Debt Proceeds	0	0	840,000	3,355,000
Debt Retirement	0	0	(1,055,000)	0
Budget Basis	<u>\$ 21,906</u>	<u>\$ 163,655</u>	<u>\$ 124,196</u>	<u>\$ 2,531,419</u>

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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

E. **Investments**

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 "Cash and Cash Equivalents" on the combined balance sheet.

The City complies with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. As a governmental entity other than an external investment pool in accordance with GASB 31, the City's investments are stated at market value, except for interest-earnings investment contracts and external investment pools (see Note 5).

In applying GASB 31, the City utilized the following methods and assumptions as of December 31, 2000:

The portfolio was limited to a repurchase agreement in First Merit Bank;

Market value is based on quoted market prices as of the valuation date. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost;

Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the general fund to the extent its cash and investment balances exceeds the cumulative value of those investments subject to GASB 31.

The City's policy is to hold investments until maturity, or until market values equal or exceed cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund and special revenue fund during fiscal year 2000 amounted to \$92,621 and \$76,958, respectively, which includes \$32,220 assigned from other City funds.

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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

E. **Investments** (Continued)

For purposes of the 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 within an initial maturity of more than three months are reported as investments.

F. **Cash and Cash Equivalents**

The City considers highly liquid investments with original maturities of three months or less to be cash equivalents.

G. **Fixed Assets**

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental type funds and capitalized (recorded and accounted for) in the general fixed asset account group. Infrastructure fixed assets such as water lines and storm sewers are capitalized and are reported as part of the general fixed asset account group.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are recorded at fair market value at the date received.

H. **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.

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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

H. **Compensated Absences** (Continued)

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 expendable available compensated absences and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the general long-term obligations account group.

I. **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 long-term 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.

J. **Deferred Revenue**

Deferred revenue consists of property taxes. Although property taxes receivables are measurable, they are recorded and deferred until they become available because the revenue is not available soon enough in the subsequent year to finance current period obligations.

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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

**K. Inventory**

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

**L. Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond December 31, 2000 are recorded as prepaid items. A portion of the relevant funds balances equal to the prepaid items has been reserved to indicate that is not available for appropriation.

**M. Reserves of Fund Equity**

Reserves of fund equity in governmental funds indicate that a portion of fund balance is not available for expenditures or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, prepaids, and debt service.

**N. Total Columns on Financial Statements**

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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NOTE 2: **ACCOUNTABILITY AND COMPLIANCE**

**Legal Compliance and Accountability**

Section 5705.41(B), Ohio Revised Code, states that no subdivision shall make any expenditure of money unless it has been appropriated. Section 5705.41(D), Ohio Revised Code, states in part that encumbrances should be charged against proper appropriations and actual disbursements plus outstanding encumbrances should not be greater than the total appropriations. The following fund has expenditures in excess of appropriations:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General:			
Community Environment	\$ 80,850	\$ 98,338	\$ (17,488)
Special Revenue:			
Drug Law Enforcement - Security of Persons and Property	2,300	2,970	(670)
PFDPF Revenue Funds:			
Security of Persons and Property	59,624	59,924	(300)
Capital Projects:			
Equipment - Capital Outlay	698,646	792,554	(93,908)

**Fund Deficit**

The fund deficits at December 31, 2000 of \$491,515 in the equipment fund and \$473,794 in the State highway fund (capital projects funds) arose from recording notes payable amounts in the individual fund balance sheets. Deficits do not exist under the cash basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

NOTE 3: **PROPERTY TAXES**

Property taxes include amounts levied against all real estate and public utility property and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2000 were levied after October 1, 1999 on assessed values as of January 1, 1999, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 1996 and the equalization adjustment was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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NOTE 3: **PROPERTY TAXES** (Continued)

Taxes collected from 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 of the year assessed. Single county taxpayers may pay annually or semi-annually; the first payment is due April 30; the remainder is 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 is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Norton. 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 \$6.50 per \$1,000 of assessed value. The assessed value upon which the 2000 tax receipts were based was \$212,535,286. This amount constitutes \$179,842,960 in real property assessed value, \$10,855,910 in public utility assessed value and \$21,836,416 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1 percent of assessed value without a vote of the people. Under current procedures, the City's share is .65 percent (.65 mills) of assessed value.

NOTE 4: **MUNICIPAL INCOME TAXES**

The City levies a municipal income tax of 1.5 percent on all salaries, wages, commissions, and other compensation, and net profits earned within the City, as well as incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality.



**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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NOTE 4: **MUNICIPAL INCOME TAXES** (Continued)

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and file a final return annually.

Ohio law requires all municipal income tax rates above 1% to be voted by the residents of the municipality.

NOTE 5: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The City maintains a separate cash and investment pool that is available for use by all funds and accounts. Each fund type's portion of this pool is displayed on the combined balance sheet as Cash and Cash Equivalents.

Legal Requirements - Statutes require the classifications of monies held by the City into three categories:

*Category 1* - consists of "active" monies, those monies required to be kept in a "cash" or a "near-cash" status for immediate use by the City. Such monies must be maintained either as cash in the City's treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

*Category 2* - consists of "inactive" monies, those monies not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

*Category 3* - consists of "interim" monies, those monies which are not needed for immediate use but which will be needed before the end of the current period of depositories.

Legislation permits interim monies to be invested or deposited in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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NOTE 5: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**  
(Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be directly issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Interim deposits in eligible institutions applying for interim funds;
5. Bonds or other obligations of the State of Ohio;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreement secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110 percent of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation, or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, collateral held in single financial collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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NOTE 5: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**  
(Continued)

**Deposits**

The Governmental Accounting Standards Board has established risk categories for deposits as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in the City's name.)

All deposits are carried at cost. At year end, the carrying amount of the City's cash and deposits was \$2,843,276 and the bank balance was \$3,215,067. Of the bank balance, \$300,000 was insured by the FDIC and \$2,915,067 was classified as Risk Category 3.

**Investments**

The Governmental Accounting Standards Board has established risk categories for investments as follows:

Category 1 - 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 - Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3 - 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's categorized investments at December 31, 2000 were as follows:

	<u>Financial Institution</u>	<u>Fair Value</u>
Repurchase Agreement (Risk Category 3)	First Merit	\$ 2,425,000
Total Investments		<u>\$ 2,425,000</u>

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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NOTE 5: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**  
(Continued)

**Investments** (Continued)

Cash balances and investments of fund types are as follows:

Governmental Fund Types	
General Fund	\$ 160,581
Special Revenue Fund	886,874
Debt Service Fund	144,051
Capital Projects Fund	3,984,101
Fiduciary Fund Types	
Agency Funds	92,669
	<u>\$ 5,268,276</u>
	<u>=====</u>

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3. The captions on the combined balance sheet related to cash and cash equivalents as follows:

	<u>Cash/Cash</u> <u>Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 5,268,276	\$ 0
Investments:		
Repurchase Agreements	(2,425,000)	2,425,000
GASB Statement No. 3	<u>\$ 2,843,276</u>	<u>\$ 2,425,000</u>
	<u>=====</u>	<u>=====</u>

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

NOTE 6: **RECEIVABLES**

The receivables at December 31, 2000 consist of taxes, intergovernmental receivables arising from grants, entitlements, or shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

<u>FUND TYPE/FUND</u>	<u>AMOUNTS</u>
<u>General Fund</u>	
Estate Tax	\$ 145,277
Local Government Support	2,387
Local Government Revenue Assistance	175,577
Liquor Permits	3,464
Total General Fund	<u>326,705</u>
<u>Special Revenue Funds</u>	
<u>Street Maintenance</u>	
Gasoline Tax	38,635
Motor Vehicle License Tax	4,977
Total	<u>43,612</u>
<u>State Highway</u>	
Gasoline Tax	3,132
Motor Vehicle License Tax	404
Total	<u>3,536</u>
<u>DWI Enforcement</u>	
Immobilization	35
Total	<u>35</u>
<u>Permissive</u>	
Permissive Tax	92,507
Total	<u>92,507</u>
<u>Fire</u>	
Local Government Support	3,879
Total	<u>3,879</u>
<u>EMS</u>	
Local Government Support	2,983
Total	<u>2,983</u>
<u>PFDPF</u>	
Local Government Support	448
Total	<u>448</u>
Total Special Revenue Funds	<u>147,000</u>
Total All Funds	<u><u>\$ 473,705</u></u>

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

**NOTE 7: FIXED ASSETS**

The general fixed assets in 2000 were as follows:

<u>Description</u>	<u>January 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2000</u>
Land	\$ 292,350	\$ 0	\$ 0	\$ 292,350
Buildings and Improvements	1,502,540	2,640	0	1,505,180
Furniture, Fixtures, Machinery and Equipment	1,429,388	307,451	1,423	1,735,416
Infrastructure	3,354,263	0	0	3,354,263
Vehicle	1,401,865	543,968	125,083	1,820,750
Total	<u>\$ 7,980,406</u>	<u>\$ 854,059</u>	<u>\$ 126,506</u>	<u>\$ 8,707,959</u>

**NOTE 8: DEFINED BENEFIT PENSION PLANS**

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

**A. Public Employees Retirement System**

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

The City of Norton contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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NOTE 8: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20 percent for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84 percent of covered payroll, 6.54 percent to fund the pension and 4.3 percent to fund health care. The 1999 and 1998 employer contribution rates were 13.55 percent. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2000, 1999, and 1998 were \$131,758, \$162,275, and \$158,961, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 4.3 percent of covered payroll, which amounted to \$52,185.

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

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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NOTE 8: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

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

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

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2000, 1999, and 1998 were \$148,567, \$136,330, and \$134,703 for police and \$30,877, \$28,320, and \$27,982 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The Ohio Revised Code provides



**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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NOTE 8: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2000 covered payroll that was used to fund postemployment health care benefits was \$55,169 representing 7.25 percent of covered payroll for police and \$9,327 representing 7.25 percent of covered payroll for fire. Health care funding and accounting were on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 1999, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,467 for police and 9,807 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1999 were \$95,004,633, which was net of member contributions of \$5,518,098.

NOTE 9: **COMPENSATED ABSENCES**

In accordance with Government Accounting Standards Board (GASB) Statement 16, the City of Norton, Ohio has accrued a liability for compensated absences (vacation and sick leave) at December 31, 2000 along with any salary-related payments associated with the payment of compensated absences.

Sick leave for City employees is accrued at rates of 4.6 for every 80 hours. Employees who retire or terminate service after 10 years may convert 25 percent of accumulated sick leave days into a lump-sum payment within certain limitations. For governmental funds, the City recognized the current portion of this liability at December 31, 2000 that is expected to be liquidated with expendable available financial resources.

City employees generally earn vacation leave ranging from 5 to 25 days per year based on length of service. No more than the amount of vacation accrued in the previous twelve-month period can be carried forward into the next calendar year without written consent of the City Mayor. For governmental fund types, accumulated vacation leave is recorded as a liability within the respective fund types since it has to be used in the following year or be forfeited.

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

NOTE 9: **COMPENSATED ABSENCES** (Continued)

The following is a summary of compensated absences payable by funds and groups.

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>General Long-Term Account Group</u>
Sick Leave	\$ 4,132	\$ 2,327	\$ 393,396
Holiday	1,750	104	5,680
Vacation Leave	3,052	2,272	88,774
Comp	2,462	1,120	18,031
Totals	<u>\$ 11,396</u>	<u>\$ 5,823</u>	<u>\$ 505,881</u>

NOTE 10: **SHORT-TERM DEBT**

Short-term debt outstanding at December 31, 2000 consisted of the following:

<u>Description</u>	<u>January 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2000</u>
Bond Anticipation Note -				
- Wooster Road Sanitary				
Sewer (Waterline portion)	\$ 500,000	\$2,900,000	\$ (500,000)	\$2,900,000
- 2000 Streets Program	275,000	725,000	(275,000)	725,000
- Multi-Purpose Equipment	200,000	510,000	(200,000)	510,000
- Park Land Purchase	80,000	60,000	(80,000)	60,000
Total	<u>\$1,055,000</u>	<u>\$4,195,000</u>	<u>\$ (1,055,000)</u>	<u>\$4,195,000</u>

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

NOTE 11: **LONG-TERM DEBT**

Long-term obligations of the City at December 31, 2000 are as follows:

<u>Description</u>	<u>Balance at</u> <u>01/01/00</u>	<u>Additions/</u> <u>(Reductions)</u>	<u>Balance at</u> <u>12/31/00</u>
Special Assessment Bonds	\$ 105,000	\$ (5,000)	\$ 100,000
Total Bond Indebtness	<u>105,000</u>	<u>(5,000)</u>	<u>100,000</u>
<u>Other Long-Term Obligations:</u>			
Accrued Compensated Absences	425,456	80,425	505,881
Accrued Pension Liability	91,756	(14,400)	77,356
Total Other Long-Term Obligations	<u>517,212</u>	<u>66,025</u>	<u>583,237</u>
<b>TOTAL LONG-TERM DEBT</b>	<u><u>\$ 622,212</u></u>	<u><u>\$ 61,025</u></u>	<u><u>\$ 683,237</u></u>

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2000 are:

	<u>Obligation</u> <u>Bonds</u>
2001	\$ 11,600
2002	11,270
2003	10,940
2004	10,610
2005	10,280
2006-2010	46,450
2011-2015	52,210
2016	10,660
Total	<u>164,020</u>
Less Interest	64,020
Outstanding Principal	<u><u>\$ 100,000</u></u>

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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**NOTE 12: CONTINGENCIES**

There are a few lawsuits pending in which the City is involved. City management estimates that the potential claims against the City not covered by insurance resulting from litigation would not materially affect the financial statements of the City.

The City has received federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon our experience, the City's management believes such disallowances, if any, will be immaterial.

**NOTE 13: RISK MANAGEMENT**

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

<u>Company</u>	<u>Description</u>	<u>Deductible</u>
Ohio Casualty Ins. Co.	Bond-Public Employees	\$ 0
National Casualty Co.	Public Officials Liability	\$ 5,000
National Casualty Co.	Law Enforcement Liability	\$ 5,000
Wichert Insurance	Commercial Property	\$ 1,000
Wichert Insurance	Inland Marine	\$ 500
Wichert Insurance	Automobile Liability	\$ 250
Wichert Insurance	Automobile Collision	\$ 500
Wichert Insurance	General Liability	\$ 2,500
	\$1,000,000 per occurrence	
	\$2,000,000 aggregate	
Wichert Insurance	Umbrella Liability	\$ 10,000
Ohio Casualty Ins. Co.	Bond-Finance Director	\$ 0
Ohio Casualty Ins. Co.	Bond - Mayor	\$ 0
Ohio Casualty Ins. Co.	Bond - Administrator	\$ 0
Ohio Casualty Ins. Co.	Bond - Clerk of Mayor's Court	\$ 0
Wichert Insurance	Commercial Crime	\$ 0
Wichert Insurance	Ambulance and EMT Liability	\$ 0
	\$1,000,000 per occurrence	
	\$2,000,000 aggregate	
Wichert Insurance	Firemen's Errors and Omissions	\$ 0
	\$1,000,000 per occurrence	
	\$2,000,000 aggregate	

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

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NOTE 13: **RISK MANAGEMENT**

The City decided to stop carrying commercial insurance for health insurance because of its prohibitive cost and began covering all claim settlements and judgments out of its general fund resources. The claim liability of \$62,738 reported in the general fund at December 31, 2000 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City currently reports all of its risk management activities in the general fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Changes in the claims liability amount in fiscal 2000 were:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current- Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
1999	\$ 14,409	\$ 153,581	\$(153,149)	\$ 14,841
2000	\$ 14,841	\$ 343,261	\$(295,364)	\$ 62,738

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

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 coverages in any of the past three fiscal years.

**CITY OF NORTON, OHIO**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**  
**(CONTINUED)**

NOTE 14: **OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds for 2000.

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund</u>	\$2,105,890	\$1,229,305
<u>Special Revenue Funds</u>		
Street Construction, Maintenance, and Repair	350,000	0
Special Permissive License Plate Tax	0	35,000
Street Lighting	1,000	0
Municipal Income Tax	0	2,274,798
Fire Fund	0	95,000
Emergency Medical Service Fund	35,000	0
Community Center Fund	1,500	0
Mayor's Court Computer Technology Program	0	25,000
Total Special Revenue Funds	<u>387,500</u>	<u>2,429,798</u>
<u>Debt Service Fund</u>		
General Debt Service Fund	123,784	0
Total Debt Service Fund	<u>123,784</u>	<u>0</u>
<u>Capital Projects Funds</u>		
Land and Land Improvements	23,448	0
Buildings Fund	74,500	0
Equipment Fund	268,120	0
Streets/Highways/Bridges	305,681	0
Storm Sewers	2,920	0
Water Lines	25,000	0
Sanitary Sewer Funds	342,260	0
Total Capital Projects Funds	<u>1,041,929</u>	<u>0</u>
Total All Funds	<u>\$3,659,103</u>	<u>\$3,659,103</u>

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*Certified Public Accountants*

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

The Honorable Mayor and Members of the City Council  
City of Norton  
Norton, Ohio

We have audited the general purpose financial statements of the City of Norton, Ohio, as of and for the year ended December 31, 2000, and have issued our report thereon dated July 27, 2001, as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated July 27, 2001.

Internal Controls Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated July 27, 2001.

This report is intended solely for the information and use of the City Council, management, others within the organization, and is not intended to be and should not be used by anyone other than these specific parties.

*Charles E. Harris & Associates, Inc.*  
July 27, 2001



STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 1999 did not include material citations or recommendations.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**CITY OF NORTON**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 28, 2001**