



**CITY OF WILLOUGHBY HILLS  
LAKE COUNTY**

**REGULAR AUDIT**

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



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

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**STATE OF OHIO**



**CITY OF WILLOUGHBY HILLS  
LAKE COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

City of Willoughby Hills  
Lake County  
35405 Chardon Road  
Willoughby Hills, Ohio 44094-9103

To the Members of City Council:

We have audited the accompanying general purpose financial statements of the City of Willoughby Hills, Lake County, Ohio, (the City) as of and for the years ended December 31, 2001 and December 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Willoughby Hills, Lake County, Ohio, as of December 31, 2001 and December 31, 2000, and the results of its operations and cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 of the December 31, 2000 notes to the general purpose financial statements, the City restated the Expendable Trust Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

**Jim Petro**  
Auditor of State

September 10, 2002

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**City of Willoughby Hills, Ohio**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*December 31, 2001*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><i>Assets and Other Debits</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$341,245	\$660,557	\$138,852	\$3,175,711
Cash and Cash Equivalents In Segregated Accounts	0	0	0	0
Receivables:				
Taxes	1,364,906	970,108	79,377	0
Accounts	35,420	100	0	15,936
Special Assessments	0	0	332,347	0
Accrued Interest	9,710	0	0	0
Intergovernmental	536,121	194,465	4,699	9,744
Materials and Supplies Inventory	23,059	36,956	0	0
Prepaid Items	29,033	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Amount to be Provided from Special Assessments	0	0	0	0
<b><i>Total Assets and Other Debits</i></b>	<b><u>\$2,339,494</u></b>	<b><u>\$1,862,186</u></b>	<b><u>\$555,275</u></b>	<b><u>\$3,201,391</u></b>

See accompanying notes to the general purpose financial statements



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$112,785	\$114,796	\$0	\$0	\$4,543,946
0	3,370	0	0	3,370
0	0	0	0	2,414,391
0	0	0	0	51,456
0	0	0	0	332,347
0	0	0	0	9,710
6,617	0	0	0	751,646
0	0	0	0	60,015
0	0	0	0	29,033
1,311,909	0	6,451,383	0	7,763,292
0	0	0	58,873	58,873
0	0	0	79,979	79,979
0	0	0	2,805,313	2,805,313
0	0	0	170,317	170,317
<u>\$1,431,311</u>	<u>\$118,166</u>	<u>\$6,451,383</u>	<u>\$3,114,482</u>	<u>\$19,073,688</u>

(continued)

**City of Willoughby Hills, Ohio**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups (continued)*  
*December 31, 2001*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities</b>				
Accounts Payable	\$21,483	\$7,757	\$0	\$1,827
Accrued Wages and Benefits	71,325	9,584	0	0
Compensated Absences Payable	4,814	269	0	0
Intergovernmental Payable	21,856	151	0	0
Deferred Revenue	1,565,421	1,143,458	416,423	0
Deposits Held and Due to Others	0	0	0	0
Capital Leases Payable	0	0	0	0
OWDA Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
<i>Total Liabilities</i>	<u>1,684,899</u>	<u>1,161,219</u>	<u>416,423</u>	<u>1,827</u>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	89,978	270,128	0	1,211,455
Reserved for Inventory	23,059	36,956	0	0
Unreserved, Undesignated	541,558	393,883	138,852	1,988,109
<i>Total Fund Equity and Other Credits</i>	<u>654,595</u>	<u>700,967</u>	<u>138,852</u>	<u>3,199,564</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$2,339,494</u>	<u>\$1,862,186</u>	<u>\$555,275</u>	<u>\$3,201,391</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$8,242	\$0	\$0	\$0	\$39,309
0	0	0	0	80,909
0	0	0	619,685	624,768
0	0	0	205,272	227,279
0	0	0	0	3,125,302
0	118,166	0	0	118,166
0	0	0	371,344	371,344
0	0	0	148,181	148,181
0	0	0	1,519,704	1,519,704
0	0	0	250,296	250,296
<u>8,242</u>	<u>118,166</u>	<u>0</u>	<u>3,114,482</u>	<u>6,505,258</u>
0	0	6,451,383	0	6,451,383
453,044	0	0	0	453,044
970,025	0	0	0	970,025
0	0	0	0	1,571,561
0	0	0	0	60,015
0	0	0	0	3,062,402
<u>1,423,069</u>	<u>0</u>	<u>6,451,383</u>	<u>0</u>	<u>12,568,430</u>
<u>\$1,431,311</u>	<u>\$118,166</u>	<u>\$6,451,383</u>	<u>\$3,114,482</u>	<u>\$19,073,688</u>

**City of Willoughby Hills, Ohio**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Year Ended December 31, 2001*

	Governmental	
	General	Special Revenue
<b>Revenues</b>		
Municipal Income Taxes	\$2,963,247	\$0
Property and Other Taxes	540,369	971,600
Charges for Services	25,326	36,094
Fines, Fees and Permits	559,908	99,637
Intergovernmental	919,661	456,888
Special Assessments	0	0
Rentals	1,370	8,470
Interest	64,204	19,539
Contributions and Donations	5,129	7,395
Other	707	1,561
	<u>5,079,921</u>	<u>1,601,184</u>
<i>Total Revenues</i>		
<b>Expenditures</b>		
Current:		
General Government	1,130,261	29,011
Security of Persons and Property	3,350,754	553,754
Transportation	0	1,497,107
Community Environment	188,606	297,225
Basic Utility Services	1,335	0
Leisure Time Activities	66,130	103,251
Capital Outlay	0	22,145
Debt Service:		
Principal Retirement	110,741	12,935
Interest and Fiscal Charges	13,050	1,855
	<u>4,860,877</u>	<u>2,517,283</u>
<i>Total Expenditures</i>		
<i>Excess of Revenues Over (Under) Expenditures</i>		
	<u>219,044</u>	<u>(916,099)</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds of Bonds	0	0
Proceeds of OWDA Loan	0	148,181
Sale of Fixed Assets	3,391	0
Inception of Capital Lease	270,377	77,126
Operating Transfers In	0	610,385
Operating Transfers Out	(610,385)	0
	<u>(336,617)</u>	<u>835,692</u>
<i>Total Other Financing Sources (Uses)</i>		
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>		
	<u>(117,573)</u>	<u>(80,407)</u>
<i>Fund Balances Beginning of Year</i>		
	766,995	765,215
Increase in Reserve for Inventory	5,173	16,159
	<u>772,168</u>	<u>781,374</u>
<i>Fund Balances End of Year</i>		
	<u>\$654,595</u>	<u>\$700,967</u>

See accompanying notes to the general purpose financial statements

<u>Fund Types</u>		<u>Totals</u>
<u>Debt</u>	<u>Capital</u>	<u>(Memorandum</u>
<u>Service</u>	<u>Projects</u>	<u>Only)</u>
\$0	\$0	\$2,963,247
80,137	0	1,592,106
0	41,848	103,268
0	53,260	712,805
9,441	249,810	1,635,800
44,155	0	44,155
0	0	9,840
0	64,403	148,146
0	190	12,714
0	0	2,268
<u>133,733</u>	<u>409,511</u>	<u>7,224,349</u>
2,194	0	1,161,466
0	0	3,904,508
0	0	1,497,107
0	0	485,831
0	0	1,335
0	0	169,381
0	302,969	325,114
92,000	0	215,676
42,402	0	57,307
<u>136,596</u>	<u>302,969</u>	<u>7,817,725</u>
<u>(2,863)</u>	<u>106,542</u>	<u>(593,376)</u>
0	1,153,000	1,153,000
0	0	148,181
0	0	3,391
0	0	347,503
0	0	610,385
0	0	(610,385)
<u>0</u>	<u>1,153,000</u>	<u>1,652,075</u>
(2,863)	1,259,542	1,058,699
141,715	1,940,022	3,613,947
0	0	21,332
<u>\$138,852</u>	<u>\$3,199,564</u>	<u>\$4,693,978</u>

**City of Willoughby Hills, Ohio**  
*Combined Statement of Revenues, Expenditures and Changes  
 In Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types  
 For the Year Ended December 31, 2001*

	General Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Municipal Income Taxes	\$3,086,328	\$3,118,476	\$2,893,769	(\$224,707)
Property and Other Taxes	509,687	514,996	521,857	6,861
Charges for Services	31,151	31,475	23,017	(8,458)
Fines, Fees and Permits	551,933	557,682	519,858	(37,824)
Intergovernmental	1,033,561	1,044,327	1,044,373	46
Special Assessments	0	0	0	0
Rentals	792	800	1,370	570
Interest	118,763	120,000	74,778	(45,222)
Contributions and Donations	14,128	14,275	5,129	(9,146)
Other	3,167	3,200	1,235	(1,965)
<i>Total Revenues</i>	<u>5,349,510</u>	<u>5,405,231</u>	<u>5,085,386</u>	<u>(319,845)</u>
<b>Expenditures</b>				
Current:				
General Government	1,261,092	1,270,375	1,242,219	28,156
Security of Persons and Property	3,328,791	3,398,291	3,296,323	101,968
Transportation	0	0	0	0
Community Environment	188,026	215,026	190,303	24,723
Basic Utility Services	11,557	11,557	1,435	10,122
Leisure Time Activities	68,367	72,667	66,506	6,161
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
<i>Total Expenditures</i>	<u>4,857,833</u>	<u>4,967,916</u>	<u>4,796,786</u>	<u>171,130</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>491,677</u>	<u>437,315</u>	<u>288,600</u>	<u>(148,715)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of OWDA Loan	0	0	0	0
Proceeds of Bonds	0	0	0	0
Sale of Fixed Assets	18,141	18,330	3,391	(14,939)
Operating Transfers In	0	0	0	0
Operating Transfers Out	(670,675)	(640,892)	(610,385)	30,507
<i>Total Other Financing Sources (Uses)</i>	<u>(652,534)</u>	<u>(622,562)</u>	<u>(606,994)</u>	<u>15,568</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(160,857)</u>	<u>(185,247)</u>	<u>(318,394)</u>	<u>(133,147)</u>
<i>Fund Balances Beginning of Year</i>	449,814	449,814	449,814	0
Prior Year Encumbrances Appropriated	102,796	102,796	102,796	0
<i>Fund Balances End of Year</i>	<u>\$391,753</u>	<u>\$367,363</u>	<u>\$234,216</u>	<u>(\$133,147)</u>

See accompanying notes to the general purpose financial statements

Special Revenue Funds				Debt Service Funds			
Budgeted Amounts		Actual	Variance Favorable (Unfavorable)	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
Original	Final			Original	Final		
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
904,608	930,430	971,600	41,170	75,762	77,016	80,137	3,121
32,730	32,730	36,094	3,364	0	0	0	0
130,800	130,800	99,537	(31,263)	0	0	0	0
526,281	575,204	458,723	(116,481)	10,049	10,215	9,441	(774)
0	0	0	0	44,000	44,000	44,155	155
7,260	7,260	8,470	1,210	0	0	0	0
27,143	22,897	20,791	(2,106)	0	0	0	0
4,500	4,500	7,395	2,895	0	0	0	0
11,249	12,300	1,561	(10,739)	0	0	0	0
<u>1,644,571</u>	<u>1,716,121</u>	<u>1,604,171</u>	<u>(111,950)</u>	<u>129,811</u>	<u>131,231</u>	<u>133,733</u>	<u>2,502</u>
31,060	31,060	31,036	24	2,700	2,700	2,194	506
725,972	725,972	552,772	173,200	0	0	0	0
1,902,105	1,902,105	1,683,528	218,577	0	0	0	0
335,088	364,088	333,621	30,467	0	0	0	0
0	0	0	0	0	0	0	0
104,632	104,632	104,987	(355)	0	0	0	0
22,146	22,146	22,145	1	0	0	0	0
0	0	0	0	92,000	92,000	92,000	0
0	0	0	0	43,600	43,600	42,402	1,198
<u>3,121,003</u>	<u>3,150,003</u>	<u>2,728,089</u>	<u>421,914</u>	<u>138,300</u>	<u>138,300</u>	<u>136,596</u>	<u>1,704</u>
<u>(1,476,432)</u>	<u>(1,433,882)</u>	<u>(1,123,918)</u>	<u>309,964</u>	<u>(8,489)</u>	<u>(7,069)</u>	<u>(2,863)</u>	<u>4,206</u>
238,000	238,000	148,181	(89,819)	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
815,675	815,675	610,385	(205,290)	0	0	0	0
0	0	0	0	0	0	0	0
<u>1,053,675</u>	<u>1,053,675</u>	<u>758,566</u>	<u>(295,109)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(422,757)	(380,207)	(365,352)	14,855	(8,489)	(7,069)	(2,863)	4,206
592,783	592,783	592,783	0	141,715	141,715	141,715	0
158,046	158,046	158,046	0	0	0	0	0
<u>\$328,072</u>	<u>\$370,622</u>	<u>\$385,477</u>	<u>\$14,855</u>	<u>\$133,226</u>	<u>\$134,646</u>	<u>\$138,852</u>	<u>\$4,206</u>

(continued)

**City of Willoughby Hills, Ohio**  
*Combined Statement of Revenues, Expenditures and Changes  
 In Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types (continued)  
 For the Year Ended December 31, 2001*

	Capital Projects Funds			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Municipal Income Taxes	\$0	\$0	\$0	\$0
Property and Other Taxes	0	0	0	0
Charges for Services	45,000	45,000	41,848	(3,152)
Fines, Fees and Permits	40,500	40,500	29,025	(11,475)
Intergovernmental	146,500	146,500	250,929	104,429
Special Assessments	0	0	0	0
Rentals	0	0	0	0
Interest	69,000	72,000	67,754	(4,246)
Contributions and Donations	0	0	190	190
Other	0	60,000	0	(60,000)
<i>Total Revenues</i>	<u>301,000</u>	<u>364,000</u>	<u>389,746</u>	<u>25,746</u>
<b>Expenditures</b>				
Current:				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Community Environment	0	0	0	0
Basic Utility Services	0	0	0	0
Leisure Time Activities	0	0	0	0
Capital Outlay	1,373,952	1,579,252	1,512,597	66,655
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
<i>Total Expenditures</i>	<u>1,373,952</u>	<u>1,579,252</u>	<u>1,512,597</u>	<u>66,655</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,072,952)</u>	<u>(1,215,252)</u>	<u>(1,122,851)</u>	<u>92,401</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of OWDA Loan	0	0	0	0
Proceeds of Bonds	1,588,886	1,558,886	1,153,000	(405,886)
Sale of Fixed Assets	0	0	0	0
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,588,886</u>	<u>1,558,886</u>	<u>1,153,000</u>	<u>(405,886)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	515,934	343,634	30,149	(313,485)
<i>Fund Balances Beginning of Year</i>	1,923,871	1,923,871	1,923,871	0
Prior Year Encumbrances Appropriated	7,582	7,582	7,582	0
<i>Fund Balances End of Year</i>	<u>\$2,447,387</u>	<u>\$2,275,087</u>	<u>\$1,961,602</u>	<u>(\$313,485)</u>

See accompanying notes to the general purpose financial statements



Totals (Memorandum Only)

Budgeted Amounts			Variance Favorable (Unfavorable)
Original	Final	Actual	
\$3,086,328	\$3,118,476	\$2,893,769	(\$224,707)
1,490,057	1,522,442	1,573,594	51,152
108,881	109,205	100,959	(8,246)
723,233	728,982	648,420	(80,562)
1,716,391	1,776,246	1,763,466	(12,780)
44,000	44,000	44,155	155
8,052	8,060	9,840	1,780
214,906	214,897	163,323	(51,574)
18,628	18,775	12,714	(6,061)
14,416	75,500	2,796	(72,704)
7,424,892	7,616,583	7,213,036	(403,547)
1,294,852	1,304,135	1,275,449	28,686
4,054,763	4,124,263	3,849,095	275,168
1,902,105	1,902,105	1,683,528	218,577
523,114	579,114	523,924	55,190
11,557	11,557	1,435	10,122
172,999	177,299	171,493	5,806
1,396,098	1,601,398	1,534,742	66,656
92,000	92,000	92,000	0
43,600	43,600	42,402	1,198
9,491,088	9,835,471	9,174,068	661,403
(2,066,196)	(2,218,888)	(1,961,032)	257,856
238,000	238,000	148,181	(89,819)
1,588,886	1,558,886	1,153,000	(405,886)
18,141	18,330	3,391	(14,939)
815,675	815,675	610,385	(205,290)
(670,675)	(640,892)	(610,385)	30,507
1,990,027	1,989,999	1,304,572	(685,427)
(76,169)	(228,889)	(656,460)	(427,571)
3,108,183	3,108,183	3,108,183	0
268,424	268,424	268,424	0
\$3,300,438	\$3,147,718	\$2,720,147	(\$427,571)

**City of Willoughby Hills, Ohio**  
*Statement of Revenues, Expenses  
and Changes in Fund Equity  
Proprietary Fund Type  
For the Year Ended December 31, 2001*

	Enterprise
<b>Operating Revenues:</b>	
Charges for Services	\$504,999
<b>Operating Expenses:</b>	
Personal Services	25,000
Contractual Services	450,256
Depreciation	36,502
Other	27,723
<i>Total Operating Expenses</i>	539,481
<i>Net Loss</i>	(34,482)
<i>Retained Earnings Beginning of Year</i>	1,004,507
<i>Retained Earnings End of Year</i>	970,025
<i>Contributed Capital Beginning and End of Year</i>	453,044
<i>Total Fund Equity End of Year</i>	\$1,423,069

See accompanying notes to the general purpose financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund Type*  
For the Year Ended December 31, 2001

Enterprise

*Increase (Decrease) in Cash and Cash Equivalents*

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$503,192
Cash Payments for Goods and Services	(442,014)
Cash Payments to Employees for Services and Benefits	(25,000)
Cash Payments for Other Operating Expenses	(27,723)
	(27,723)

<i>Net Increase in Cash and Cash Equivalents</i>	8,455
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<i>Cash and Cash Equivalents Beginning of Year</i>	104,330
	104,330

<i>Cash and Cash Equivalents End of Year</i>	\$112,785
	\$112,785

**Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:**

<i>Operating Loss</i>	(\$34,482)
	(\$34,482)

Adjustments:

Depreciation	36,502
Increase in Intergovernmental Receivables	(1,807)
Increase in Accounts Payables	8,242
	8,242

<i>Total Adjustments</i>	42,937
	42,937

<i>Net Cash Provided by Operating Activities</i>	\$8,455
	\$8,455

See accompanying notes to the general purpose financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Revenues, Expenses and Changes*  
*In Fund Equity - Budget (Non-GAAP Basis) and Actual*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2001*

	Enterprise Funds			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Charges for Services	\$473,100	\$473,100	\$503,192	\$30,092
<b>Expenses</b>				
Personal Services	25,000	25,000	25,000	0
Contractual Services	455,845	455,845	444,640	11,205
Other	33,476	33,476	29,852	3,624
Capital Outlay	114	114	0	114
<i>Total Expenses</i>	<u>514,435</u>	<u>514,435</u>	<u>499,492</u>	<u>14,943</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(41,335)	(41,335)	3,700	45,035
<i>Fund Equity Beginning of Year</i>	97,092	97,092	97,092	0
Prior Year Encumbrances Appropriated	<u>7,235</u>	<u>7,235</u>	<u>7,235</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$62,992</u>	<u>\$62,992</u>	<u>\$108,027</u>	<u>\$45,035</u>

See accompanying notes to the general purpose financial statements

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

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**Note 1 - Reporting Entity and Basis of Presentation**

The City of Willoughby Hills is a charter municipal corporation established and operated under the laws of the State of Ohio. A charter first became effective September 15, 1970. The current charter provides for a council-mayor form of government. Elected officials include seven council members and a mayor.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of Willoughby Hills consist of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Willoughby Hills this includes: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, refuse collection, recycling and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in the Northeast Ohio Public Energy Council, a jointly governed organization. This organization is presented in Note 16 of the General Purpose Financial Statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

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

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

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

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories: governmental, proprietary and fiduciary.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

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**Governmental Fund Types** Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

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

**Special Revenue Funds** These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Funds** These funds are used to account for the accumulation of resources for, and the payment of general and special assessment long-term debt principal, interest and related costs.

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

**Proprietary Fund Type** Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type:

**Enterprise Funds** These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Fiduciary Fund Type** Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City only utilizes the agency fund type. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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

**General Fixed Assets Account Group** This account group accounts for all general fixed assets of the City other than those accounted for in proprietary funds.

**General Long-Term Obligations Account Group** This account group accounts for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds, including special assessment debt for which the City is obligated in some manner.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: income tax, state-levied locally shared taxes, interest, grants fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

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**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department in the general fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of City Council.

**Tax Budget** At the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**Estimated Resources** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported in the budgetary statements as final budgeted amounts reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

**Appropriations** A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within the general fund and at the fund level for all other funds may be modified during the year only by an ordinance of Council. The Director of Finance is authorized to transfer appropriations between line items within an object of any department. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant affect on the original appropriations. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget for that fund that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statement of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications passed by Council.

**Encumbrances** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of



**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

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control. For the City, this is at the object level within each department for the general fund. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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

***D. Cash and Cash Equivalents***

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented in the Combined Balance Sheet as "cash and cash equivalents in segregated accounts."

During 2001, investments of the cash management pool were limited to repurchase agreements, certificates of deposit and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificate of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurers Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhios share price which is the price the investment could be sold for on December 31, 2001.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2001 amounted to \$64,204, which includes \$11,117 assigned from other City funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months not purchased from the pool are reported as investments.

***E. Inventory***

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

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

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***F. Prepaids***

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which it was consumed.

***G. Fixed Assets and Depreciation***

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the fund.

All purchased fixed assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Depreciation of sewer lines, equipment and vehicles in the proprietary fund type is computed using the straight-line method over an estimated useful life. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fund fixed assets. The lives used are as follows:

Buildings	15 - 25 years
Improvements other than buildings	25 - 50 years
Machinery, equipment, furniture and fixtures	3 - 10 years

Interest is capitalized on proprietary fund fixed assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2001, interest incurred on proprietary fund construction projects was immaterial.

***H. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based upon the sick leave accumulated at December 31, 2001,

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

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by those employees who are expected to become eligible in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

***I. Contributed Capital***

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. During 2001, there was no change in contributed capital.

***J. Fund Equity***

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

***K. Interfund Transactions***

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

***L. Accrued Liabilities and Long-term Obligations***

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

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

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***M. Estimates***

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

***N. Total Columns on General Purpose Financial Statements***

Total columns on the General Purpose Financial Statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Note 3 – Change in Accounting Principles**

For 2001, the City has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues.” The implementation of these statements did not result in any change in fund balance from the prior year.

**Note 4 - Budgetary Basis of Accounting**

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

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP).
4. Unrecorded cash, which consists of unrecorded interest, is not reported by the City on the operating statements (budget), but is reported on the GAAP basis operating statements.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$117,573)	(\$80,407)	(\$2,863)	\$1,259,542
Net Adjustment for Revenue Accruals	3,105	2,589	0	(22,421)
Unrecorded Cash	2,360	398	0	2,656
Net Adjustment for Expenditure Accruals	(101,617)	(13,250)	0	1,825
Encumbrances	(104,669)	(274,682)	0	(1,211,453)
Budget Basis	(\$318,394)	(\$365,352)	(\$2,863)	\$30,149

Net Loss/Excess of Revenues Over  
Expenses and Operating Transfers  
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$34,482)
Net Adjustment for Revenue Accruals	(1,807)
Net Adjustment for Expense Accruals	8,245
Depreciation Expense	36,502
Encumbrances	(4,758)
Budget Basis	\$3,700

**Note 5 – Accountability**

The fire levy special revenue fund had a deficit fund balance of \$6,008 at December 31, 2001. This deficit is caused by the recognition of expenditures on the modified accrual basis of accounting which are substantially greater than expenditures recognized on the cash basis. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

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The following agency funds had negative cash balances which violates Ohio Revised Code Section 5705.10:

	<u>Amounts</u>
Associated Estates	\$2,922
Corporate 90 Pump Station	965
Oakview Assessments	347
Rosewood	3,118
Geauga Mechanic	1,115
BP Oil	1,370
Sears	2,500
Napoli	3,568
P. Cloonan	320
Lorenzen Wiles	806

**Note 6 - Deposits and Investments**

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

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

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

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

Interim monies can be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

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Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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

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

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

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

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

**Cash on Hand:** At year end, the City had \$700 in undeposited cash on hand which is included on the balance sheet of the City as part of equity in pooled cash and cash equivalents.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

**Deposits.** At year-end, the carrying amount of the City's deposits was \$341,729 and the bank balance was \$539,853. Of the bank balance:

1. \$322,002 was covered by federal depository insurance.
2. \$217,851 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$2,415,205	\$2,415,205	\$2,415,205
Investment in State Treasurer's Investment Pool		1,789,682	1,789,682
Total Investment		\$4,204,887	\$4,204,887

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3, is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$4,547,316	\$0
Cash on Hand	(700)	0
Investments of Cash		
Management Pool:		
Repurchase Agreement	(2,415,205)	2,415,205
STAROhio	(1,789,682)	1,789,682
GASB Statement 3	\$341,729	\$4,204,887



**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

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**Note 7 - Receivables**

Receivables at December 31, 2001, consisted of taxes, accounts (billings for user charged services), special assessments, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible.

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2001 for real and public utility property taxes represents collections of the 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) is for 2001 taxes.

2001 real property taxes are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2001, was \$7.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$222,193,960
Public Utility Tangible	5,068,070
Tangible Personal	<u>15,810,614</u>
Total	<u><u>\$243,072,644</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Taxable personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Willoughby Hills. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real tangible personal property taxes, public utility taxes and outstanding delinquencies

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

which are measurable as of December 31, 2001. Although property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2001 operations. The receivable is offset by deferred revenue.

***B. Income Tax***

The City levies a municipal income tax of one and a half percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside of the City. The City allows a credit of one hundred percent for income tax paid to another municipality up to a limit of one percent of the total amount owed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are to be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City of Willoughby Hills. In 2001, the proceeds were allocated one hundred percent to the general fund.

***C. Intergovernmental Receivable***

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Local Government	\$472,853
Homestead and Rollback	28,310
Estate Tax	23,044
Sales Tax	3,746
Liquor License Fees	3,254
City of Waite Hill	2,309
Willoughby Municipal Court	2,148
Intangible Tax	457
<i>Total General Fund</i>	<i>536,121</i>
Special Revenue Funds	
Street Construction Maintenance and Repair	133,600
State Highway	10,457
Police Pension	3,668
Fire Levy	22,006
Road Levy	24,734
<i>Total Special Revenue Funds</i>	<i>194,465</i>
Debt Service Fund	
Bond Retirement	4,699

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

Capital Projects Fund	
Fire Department Capital Improvement	\$9,744
Enterprise	
Sewer	6,617
<i>Total Intergovernmental Receivables</i>	<i>\$751,646</i>

**Note 8 - Fixed Assets**

A summary of the enterprise fund fixed assets at December 31, 2001, follows:

Buildings	\$233,000
Improvements	1,583,467
Total	1,816,467
Less: Accumulated Depreciation	(504,558)
Net Fixed Assets	\$1,311,909

A summary of changes in general fixed assets follows:

	Balance January 1, 2001	Additions	Deletions	Balance December 31, 2001
Land	\$340,820	\$0	\$0	\$340,820
Buildings and Improvements	2,328,344	98,988	0	2,427,332
Machinery and Equipment	3,169,632	535,349	21,750	3,683,231
Total	\$5,838,796	\$634,337	\$21,750	\$6,451,383

**Note 9 - 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 2001, the City participated in the Ohio Government Risk Management Plan which contracted with Love Insurance Company for the following types of insurance:

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

Type of Coverage	Coverage
Property	\$6,735,917
Inland Marine	1,418,042
Crime	25,000
Vehicle	
Comprehensive	5,000,000 per occurrence
Collision	5,000,000 per occurrence
Law Enforcement Liability	7,000,000 aggregate
Public Officials Liability	7,000,000 aggregate

Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

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

**Note 10 - Defined Benefit Pension Plans**

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

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2001 employer pension contribution rate for the City was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999, were \$148,501, \$94,501 and \$196,061 respectively. The full amount has been contributed for 2000 and 1999. 69.69 percent has been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

***B. Ohio Police and Fire Pension Fund***

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

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supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12 percent for police and 16.5 percent for firefighters. For 2000, the City contributions were 12.5 percent for police and 16.75 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$125,379 and \$104,943 for the year ended December 31, 2001, \$126,906 and \$99,015 for the year ended December 31, 2000 and \$199,737 and \$127,294 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 61.30 and 60.47 percent, respectively, have been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

## **Note 11 - Postemployment Benefits**

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

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$69,033. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

### ***B. Ohio Police and Fire Pension Fund***

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

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An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employers' contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.5 percent of covered payroll was applied to the postemployment health care program during 2001. For 2000, the percent used to fund healthcare was 7.25 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2001 that were used to fund postemployment benefits were \$78,362 for police and \$47,702 for fire. The OP&F's total health care expenses for the year ended December 31, 2000, (the latest information available) were \$106,160,054 which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

## **Note 12 - Other Employee Benefits**

### ***A. Compensated Absences***

Employees earn vacation at different rates which are affected by length of service. In general, vacation earned in any one year must be used within the following year and cannot be carried over except with the written approval of the Mayor. At the time of separation the employee is entitled to payment for any earned but unused vacation.

Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation for a maximum accumulated of 960 work days. Upon retirement, employees shall be paid for all the sick days they have accumulated.

As of December 31, 2001, the liability for unpaid compensated absences was \$624,768 for the entire City.

### ***B. Health Insurance***

The City has contracted with Medical Mutual of Ohio to provide employee health care coverage.

## **Note 13 - Capital Leases**

During 2001, the City entered into capital leases for the acquisition of a telephone system, a loader and police radios payable from the general fund and street maintenance and repair special revenue fund. In prior years, the City entered into a lease for the acquisition of equipment for the City's fire department payable from the general fund. The lease meets the criteria of a capital lease as defined by Financial Accounting Standards No. 13,

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
For Year Ended December 31, 2001

“Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in the amount of \$690,646 which represents the present value of the lease payments at the time of the acquisition. A corresponding liability was recorded in the general long-term obligations account group.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments.

Year	Total
2002	\$152,919
2003	73,498
2004	73,498
2005	59,161
2006	59,161
Total minimum lease payments	418,237
Less: Amount representing interest	(46,893)
Present value of minimum lease payments	\$371,344

**Note 14 - Long-Term Obligations**

The changes in long-term obligations during the year were as follows:

	Outstanding 12/31/00	Additions	(Reductions)	Outstanding 12/31/01
<b>General Obligation Bonds</b>				
1986 7.38%				
City Hall Additions	\$240,000	\$0	(\$40,000)	\$200,000
1993 2.65 - 5.30%				
Service Garage Addition	100,000	0	(5,000)	95,000
1993 2.65 - 5.30%				
Fire Truck Acquisition	60,000	0	(20,000)	40,000
1993 2.65 - 5.30%				
Sanitary Sewer Improvement	34,346	0	(2,642)	31,704
2001 5.05%				
Fire Station Improvement	0	1,153,000	0	1,153,000
<i>Total General Obligation Bonds</i>	<i>\$434,346</i>	<i>\$1,153,000</i>	<i>(\$67,642)</i>	<i>\$1,519,704</i>

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
For Year Ended December 31, 2001

	<u>Outstanding</u> 12/31/00	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding</u> 12/31/01
<b>Special Assessment Bonds</b>				
1987 7.88%				
Chardon Sewer System Improvement	49,000	0	(7,000)	42,000
1993 2.65 - 5.30%				
Sanitary Sewer Improvement	<u>225,654</u>	<u>0</u>	<u>(17,358)</u>	<u>208,296</u>
<i>Total Special Assessment Bonds</i>	<u>274,654</u>	<u>0</u>	<u>(24,358)</u>	<u>250,296</u>
<b>Other Long-term Obligations</b>				
OWDA Loan	0	148,181	0	148,181
Capital Leases	147,517	347,503	(123,676)	371,344
Compensated Absences	556,971	62,714	0	619,685
Intergovernmental Payable	<u>119,320</u>	<u>205,272</u>	<u>(119,320)</u>	<u>205,272</u>
<i>Total General Long-term Obligations</i>	<u>\$1,532,808</u>	<u>\$1,916,670</u>	<u>(\$334,996)</u>	<u>\$3,114,482</u>

General obligation bonds will be paid from the general bond retirement debt service fund from property taxes. Special assessment bonds were paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

A line of credit has been established with the Ohio Water Development Authority for the Euclid Creek Interceptor Sewer project; however, since the loan has not been finalized, repayment schedules are not included in the schedule of debt service requirements.

The capital lease obligation is paid from the general fund and street maintenance and repair special revenue fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the employees' salaries are paid.



**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

The City's overall legal debt margin was \$24,017,953 with an unvoted debt margin of \$11,864,320 at December 31, 2001. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2001 are as follows:

	General Obligation Bonds	Special Assessment Bonds	Totals
2002	\$201,177	\$38,210	\$239,387
2003	197,076	36,878	233,954
2004	172,807	35,528	208,335
2005	169,501	34,153	203,654
2006	166,137	32,760	198,897
2007 - 2011	632,821	117,341	750,162
2012 - 2016	580,098	37,476	617,574
Total Principal and Interest	2,119,617	332,346	2,451,963
Less: Interest	(599,913)	(82,050)	(681,963)
Total Principal	<u>\$1,519,704</u>	<u>\$250,296</u>	<u>\$1,770,000</u>

**Note 15 - Contingencies**

**A. Grants**

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2001.

**B. Litigation**

The City of Willoughby Hills is a party to legal proceedings. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**Note 16 - Jointly Governed Organization**

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 92 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2001*

insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Willoughby Hills did not contribute to NOPEC during 2001. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

**Note 17 – Contractual Commitments**

At December 31, 2001, the City’s significant contractual commitments for the fire department capital improvement consisted of:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Remaining on Contract</u>
A. J. Goulder Electric	\$99,000	\$0	\$99,000
R & D Heating and Sheet Metal	108,750	0	108,750
Commerce Plumbing Co.	102,460	0	102,460
Seuffert Construction Company, Inc.	<u>842,160</u>	<u>0</u>	<u>842,160</u>
Total	<u>\$1,152,370</u>	<u>\$0</u>	<u>\$1,152,370</u>

**Note 18 – Subsequent Events**

In fiscal year 2002, the City issued \$1,200,000 in bond anticipation notes for the construction of a community center. Also, the City received a \$200,000 grant and a \$500,000 loan from OWDA for the Euclid Creek sewer project.

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**City of Willoughby Hills, Ohio**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*December 31, 2000*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><i>Assets and Other Debits</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$561,162	\$752,479	\$141,715	\$1,937,458
Cash and Cash Equivalents In Segregated Accounts	0	0	0	0
Receivables:				
Taxes	691,056	975,161	80,480	0
Accounts	528	0	0	1,445
Special Assessments	0	0	371,873	0
Accrued Interest	14,092	0	0	0
Intergovernmental	181,129	22,950	0	1,119
Materials and Supplies Inventory	17,886	20,797	0	0
Prepaid Items	32,095	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b><i>Total Assets and Other Debits</i></b>	<b><u>\$1,497,948</u></b>	<b><u>\$1,771,387</u></b>	<b><u>\$594,068</u></b>	<b><u>\$1,940,022</u></b>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$104,330	\$125,400	\$0	\$0	\$3,622,544
0	2,845	0	0	2,845
0	0	0	0	1,746,697
0	0	0	0	1,973
0	0	0	0	371,873
0	0	0	0	14,092
4,810	0	0	0	210,008
0	0	0	0	38,683
0	0	0	0	32,095
1,348,411	0	5,838,796	0	7,187,207
0	0	0	141,715	141,715
0	0	0	1,391,093	1,391,093
<u>\$1,457,551</u>	<u>\$128,245</u>	<u>\$5,838,796</u>	<u>\$1,532,808</u>	<u>\$14,760,825</u>

(continued)

**City of Willoughby Hills, Ohio**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups (continued)*  
*December 31, 2000*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><i>Liabilities, Fund Equity and Other Credits</i></b>				
<b>Liabilities</b>				
Accounts Payable	\$63,781	\$31,011	\$0	\$0
Accrued Wages and Benefits	75,330	0	0	0
Compensated Absences Payable	5,313	0	0	0
Intergovernmental Payable	79,733	0	0	0
Deferred Revenue	506,796	975,161	452,353	0
Deposits Held and Due to Others	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>730,953</u>	<u>1,006,172</u>	<u>452,353</u>	<u>0</u>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	56,432	128,061	0	7,582
Reserved for Inventory	17,886	20,797	0	0
Unreserved, Undesignated	692,677	616,357	141,715	1,932,440
	<u>692,677</u>	<u>616,357</u>	<u>141,715</u>	<u>1,932,440</u>
<i>Total Fund Equity and Other Credits</i>	<u>766,995</u>	<u>765,215</u>	<u>141,715</u>	<u>1,940,022</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$1,497,948</u>	<u>\$1,771,387</u>	<u>\$594,068</u>	<u>\$1,940,022</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$0	\$0	\$0	\$0	\$94,792
0	0	0	0	75,330
0	0	0	556,971	562,284
0	0	0	119,320	199,053
0	0	0	0	1,934,310
0	128,245	0	0	128,245
0	0	0	147,517	147,517
0	0	0	434,346	434,346
0	0	0	274,654	274,654
0	128,245	0	1,532,808	3,850,531
0	0	5,838,796	0	5,838,796
453,044	0	0	0	453,044
1,004,507	0	0	0	1,004,507
0	0	0	0	192,075
0	0	0	0	38,683
0	0	0	0	3,383,189
1,457,551	0	5,838,796	0	10,910,294
<u>\$1,457,551</u>	<u>\$128,245</u>	<u>\$5,838,796</u>	<u>\$1,532,808</u>	<u>\$14,760,825</u>

**City of Willoughby Hills, Ohio**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Year Ended December 31, 2000*

	Governmental Fund	
	General	Special Revenue
<b>Revenues</b>		
Municipal Income Taxes	\$2,533,204	\$0
Property and Other Taxes	474,795	771,508
Charges for Services	53,894	66,290
Fines, Fees and Permits	504,689	2,920
Intergovernmental	979,787	835,413
Special Assessments	0	0
Rentals	1,325	9,088
Interest	149,823	21,319
Contributions and Donations	16,836	6,471
Other	26,009	0
<i>Total Revenues</i>	4,740,362	1,713,009
<b>Expenditures</b>		
Current:		
General Government	1,073,177	31,493
Security of Persons and Property	2,851,693	541,910
Transportation	0	1,289,929
Community Environment	152,598	12,283
Basic Utility Services	657,433	0
Leisure Time Activities	68,165	88,609
Capital Outlay	0	28,366
Debt Service:		
Principal Retirement	68,461	0
Interest and Fiscal Charges	10,960	0
<i>Total Expenditures</i>	4,882,487	1,992,590
<i>Excess of Revenues Over (Under) Expenditures</i>	(142,125)	(279,581)
<b>Other Financing Sources (Uses)</b>		
Sale of Fixed Assets	328	420
Operating Transfers In	0	19,000
Operating Transfers Out	(19,000)	0
<i>Total Other Financing Sources (Uses)</i>	(18,672)	19,420
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(160,797)	(260,161)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	931,108	1,035,896
Decrease in Reserve for Inventory	(3,316)	(10,520)
<i>Fund Balances End of Year</i>	\$766,995	\$765,215

See accompanying notes to the general purpose financial statements



Types		Totals
Debt Service	Capital Projects	(Memorandum Only)
\$0	\$0	\$2,533,204
69,006	0	1,315,309
0	0	120,184
0	34,855	542,464
9,318	47,125	1,871,643
44,186	0	44,186
0	0	10,413
0	54,028	225,170
0	375	23,682
0	4,505	30,514
<u>122,510</u>	<u>140,888</u>	<u>6,716,769</u>
1,907	0	1,106,577
0	0	3,393,603
0	0	1,289,929
0	0	164,881
0	0	657,433
0	0	156,774
0	37,380	65,746
92,000	0	160,461
47,837	0	58,797
<u>141,744</u>	<u>37,380</u>	<u>7,054,201</u>
<u>(19,234)</u>	<u>103,508</u>	<u>(337,432)</u>
0	0	748
0	0	19,000
0	0	(19,000)
<u>0</u>	<u>0</u>	<u>748</u>
(19,234)	103,508	(336,684)
160,949	1,836,514	3,964,467
<u>0</u>	<u>0</u>	<u>(13,836)</u>
<u>\$141,715</u>	<u>\$1,940,022</u>	<u>\$3,613,947</u>

**City of Willoughby Hills, Ohio**  
*Combined Statement of Revenues, Expenditures and Changes*  
*In Fund Balances - Budget (Non-GAAP Basis) and Actual*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2000*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Municipal Income Taxes	\$2,925,000	\$2,908,722	(\$16,278)
Property and Other Taxes	526,331	472,346	(53,985)
Charges for Services	72,401	65,607	(6,794)
Fines, Fees and Permits	447,624	504,689	57,065
Intergovernmental	923,298	953,606	30,308
Special Assessments	0	0	0
Rentals	100	1,325	1,225
Interest	155,262	141,334	(13,928)
Contributions and Donations	50	16,836	16,786
Other	7,700	25,482	17,782
<i>Total Revenues</i>	<u>5,057,766</u>	<u>5,089,947</u>	<u>32,181</u>
<b>Expenditures</b>			
Current:			
General Government	1,186,770	1,063,179	123,591
Security of Persons and Property	3,272,302	3,132,372	139,930
Transportation	0	0	0
Community Environment	186,264	161,137	25,127
Basic Utility Services	704,385	657,750	46,635
Leisure Time Activities	78,179	71,142	7,037
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>5,427,900</u>	<u>5,085,580</u>	<u>342,320</u>
Excess of Revenues			
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(370,134)</u>	<u>4,367</u>	<u>374,501</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Fixed Assets	5,200	328	(4,872)
Operating Transfers In	0	0	0
Operating Transfers Out	(19,000)	(19,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(13,800)</u>	<u>(18,672)</u>	<u>(4,872)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(383,934)</u>	<u>(14,305)</u>	<u>369,629</u>
<i>Fund Balances Beginning of Year</i>	259,469	259,469	0
Prior Year Encumbrances Appropriated	<u>204,650</u>	<u>204,650</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$80,185</u></u>	<u><u>\$449,814</u></u>	<u><u>\$369,629</u></u>

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
830,321	772,818	(57,503)	85,970	79,593	(6,377)
48,670	66,290	17,620	0	0	0
6,500	3,000	(3,500)	0	0	0
817,924	830,273	12,349	8,812	9,318	506
0	0	0	40,417	44,186	3,769
10,260	9,088	(1,172)	0	0	0
250	19,695	19,445	0	0	0
3,500	6,611	3,111	0	0	0
0	0	0	0	0	0
<u>1,717,425</u>	<u>1,707,775</u>	<u>(9,650)</u>	<u>135,199</u>	<u>133,097</u>	<u>(2,102)</u>
33,610	31,638	1,972	2,500	1,907	593
549,778	549,108	670	0	0	0
1,616,874	1,403,675	213,199	0	0	0
123,000	12,283	110,717	0	0	0
0	0	0	0	0	0
104,645	95,222	9,423	0	0	0
55,000	45,000	10,000	0	0	0
0	0	0	92,000	92,000	0
0	0	0	47,837	47,837	0
<u>2,482,907</u>	<u>2,136,926</u>	<u>345,981</u>	<u>142,337</u>	<u>141,744</u>	<u>593</u>
<u>(765,482)</u>	<u>(429,151)</u>	<u>336,331</u>	<u>(7,138)</u>	<u>(8,647)</u>	<u>(1,509)</u>
500	420	(80)	0	0	0
10,000	19,000	9,000	0	0	0
0	0	0	0	0	0
<u>10,500</u>	<u>19,420</u>	<u>8,920</u>	<u>0</u>	<u>0</u>	<u>0</u>
(754,982)	(409,731)	345,251	(7,138)	(8,647)	(1,509)
858,641	858,641	0	150,362	150,362	0
143,873	143,873	0	0	0	0
<u>\$247,532</u>	<u>\$592,783</u>	<u>\$345,251</u>	<u>\$143,224</u>	<u>\$141,715</u>	<u>(\$1,509)</u>

(continued)

**City of Willoughby Hills, Ohio**  
*Combined Statement of Revenues, Expenditures and Changes*  
*In Fund Balances - Budget (Non-GAAP Basis) and Actual*  
*All Governmental Fund Types (continued)*  
*For the Year Ended December 31, 2000*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Municipal Income Taxes	\$0	\$0	\$0
Property and Other Taxes	0	0	0
Charges for Services	0	0	0
Fines, Fees and Permits	38,300	33,410	(4,890)
Intergovernmental	162,047	250,959	88,912
Special Assessments	0	0	0
Rentals	0	0	0
Interest	26,298	50,757	24,459
Contributions and Donations	0	375	375
Other	60,000	4,505	(55,495)
<i>Total Revenues</i>	<u>286,645</u>	<u>340,006</u>	<u>53,361</u>
<b>Expenditures</b>			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Basic Utility Services	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	108,230	44,962	63,268
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>108,230</u>	<u>44,962</u>	<u>63,268</u>
Excess of Revenues			
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>178,415</u>	<u>295,044</u>	<u>116,629</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Fixed Assets	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	178,415	295,044	116,629
<i>Fund Balances Beginning of Year</i>	1,576,068	1,576,068	0
Prior Year Encumbrances Appropriated	<u>52,759</u>	<u>52,759</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,807,242</u></u>	<u><u>\$1,923,871</u></u>	<u><u>\$116,629</u></u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,925,000	\$2,908,722	(\$16,278)
1,442,622	1,324,757	(117,865)
121,071	131,897	10,826
492,424	541,099	48,675
1,912,081	2,044,156	132,075
40,417	44,186	3,769
10,360	10,413	53
181,810	211,786	29,976
3,550	23,822	20,272
67,700	29,987	(37,713)
<u>7,197,035</u>	<u>7,270,825</u>	<u>73,790</u>
1,222,880	1,096,724	126,156
3,822,080	3,681,480	140,600
1,616,874	1,403,675	213,199
309,264	173,420	135,844
704,385	657,750	46,635
182,824	166,364	16,460
163,230	89,962	73,268
92,000	92,000	0
47,837	47,837	0
<u>8,161,374</u>	<u>7,409,212</u>	<u>752,162</u>
<u>(964,339)</u>	<u>(138,387)</u>	<u>825,952</u>
5,700	748	(4,952)
10,000	19,000	9,000
(19,000)	(19,000)	0
<u>(3,300)</u>	<u>748</u>	<u>4,048</u>
(967,639)	(137,639)	830,000
2,844,540	2,844,540	0
401,282	401,282	0
<u>\$2,278,183</u>	<u>\$3,108,183</u>	<u>\$830,000</u>

**City of Willoughby Hills, Ohio**  
*Statement of Revenues, Expenses  
and Changes in Fund Equity  
Proprietary Fund Type  
For the Year Ended December 31, 2000*

	Enterprise
<b>Operating Revenue</b>	
Charges for Services	\$294,018
<b>Operating Expenses</b>	
Personal Services	25,000
Contractual Services	311,947
Depreciation	36,502
Other	35,068
<i>Total Operating Expenses</i>	408,517
<i>Operating Loss</i>	(114,499)
<b>Non-Operating Revenue</b>	
Operating Grants	4,810
<i>Net Loss</i>	(109,689)
<i>Retained Earnings Beginning of Year</i>	1,114,196
<i>Retained Earnings End of Year</i>	1,004,507
<i>Contributed Capital Beginning and End of Year</i>	453,044
<i>Total Fund Equity End of Year</i>	\$1,457,551

See accompanying notes to the general purpose financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Revenues, Expenses and Changes*  
*In Fund Equity - Budget (Non-GAAP Basis) and Actual*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2000*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Charges for Services	\$382,443	\$373,495	(\$8,948)
<b>Expenses</b>			
Personal Services	25,000	25,000	0
Contractual Services	373,210	373,210	0
Other	37,308	35,308	2,000
<i>Total Expenses</i>	435,518	433,518	2,000
<i>Excess of Revenues Under Expenses</i>	(53,075)	(60,023)	(6,948)
Operating Transfers In	0	237,895	237,895
Operating Transfers Out	(237,895)	(237,895)	0
<i>Total Other Financing Uses</i>	(237,895)	0	237,895
<i>Excess of Revenues Under Expenses and Operating Transfers</i>	(290,970)	(60,023)	230,947
<i>Fund Equity Beginning of Year</i>	149,663	149,663	0
Prior Year Encumbrances Appropriated	7,452	7,452	0
<i>Fund Equity (Deficit) End of Year</i>	<u>(\$133,855)</u>	<u>\$97,092</u>	<u>\$230,947</u>

See accompanying notes to the general purpose financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2000*

	Enterprise
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$373,495
Cash Payments for Goods and Services	(366,215)
Cash Payments to Employees for Services and Benefits	(25,000)
Cash Payments for Other Operating Expenses	(35,068)
<i>Net Decrease in Cash and Cash Equivalents</i>	(52,788)
<i>Cash and Cash Equivalents Beginning of Year</i>	157,118
<i>Cash and Cash Equivalents End of Year</i>	\$104,330
 <b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
<i>Operating Loss</i>	(\$114,499)
Adjustments:	
Depreciation	36,502
(Increase)/Decrease in Assets:	
Accounts Receivable	79,477
Prepaid Items	10,904
Increase/(Decrease) in Liabilities:	
Accounts Payable	(65,172)
<i>Total Adjustments</i>	61,711
<i>Net Cash Used for Operating Activities</i>	(\$52,788)

See accompanying notes to the general purpose financial statements



**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2000*

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**Note 1 - Reporting Entity and Basis of Presentation**

The City of Willoughby Hills is a charter municipal corporation established and operated under the laws of the State of Ohio. A charter first became effective September 15, 1970. The current charter provides for a council-mayor form of government. Elected officials include seven council members and a mayor.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of Willoughby Hills consist of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Willoughby Hills this includes: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, refuse collection, recycling and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City is associated with the Northeast Ohio Public Energy Council, a jointly governed organization. This organization is presented in Note 16 of the General Purpose Financial Statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

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

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

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

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories: governmental, proprietary and fiduciary.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2000*

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**Governmental Fund Types** Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

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

**Special Revenue Funds** These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Funds** These funds are used to account for the accumulation of resources for, and the payment of general and special assessment long-term debt principal, interest and related costs.

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

**Proprietary Fund Type** Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type:

**Enterprise Funds** These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Fiduciary Fund Type** Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City only utilizes the agency fund type. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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

**General Fixed Assets Account Group** This account group accounts for all general fixed assets of the City other than those accounted for in proprietary funds.

**General Long-Term Obligations Account Group** This account group accounts for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds, including special assessment debt for which the City is obligated in some manner.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2000*

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

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

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

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, state-levied locally shared taxes (including gasoline tax) and income tax withheld by employers.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2000, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

***C. Budgetary Process***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2000*

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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 appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department for the general fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of City Council.

***Tax Budget*** At the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

***Estimated Resources*** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

***Appropriations*** A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. Any budgetary modification at the legal level of control may only be made by resolution of the City Council. The Director of Finance is authorized to transfer appropriations between line items below the object level. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant affect on the original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of control. For the City, this is at the object level within each department for the general fund. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2000*

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***D. Cash and Cash Equivalents***

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

During 2000, investments of the cash management pool were limited to repurchase agreements, certificates of deposits and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificate of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2000.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2000 amounted to \$149,823, which includes \$34,853 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented in the Combined Balance Sheet as "cash and cash equivalents in segregated accounts."

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months not purchased from the pool are reported as investments.

***E. Inventory***

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is 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.

***F. Prepaids***

Payments made to vendors for services that will benefit periods beyond December 31, 2000, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which it was consumed.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2000*

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***G. Fixed Assets and Depreciation***

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the fund.

All purchased fixed assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Depreciation of sewer lines, equipment and vehicles in the proprietary fund type is computed using the straight-line method over an estimated useful life. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fund fixed assets. The lives used are as follows:

Buildings	15 - 25 years
Improvements other than buildings	25 - 50 years
Machinery, equipment, furniture and fixtures	3 - 10 years

Interest is capitalized on proprietary fund fixed assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2000, interest incurred on proprietary fund construction projects was immaterial.

***H. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based upon the sick leave accumulated at December 31, 2000, by those employees who are expected to become eligible in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2000*

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is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

***I. Contributed Capital***

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. During 2000, there was no change in contributed capital.

***J. Fund Equity***

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

***K. Interfund Transactions***

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

***L. Accrued Liabilities and Long-term Obligations***

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

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

***M. Estimates***

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

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2000*

***N. Total Columns on General Purpose Financial Statements***

Total columns on the General Purpose Financial Statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Note 3 - Restatement of Prior Year Fund Balance**

The City had the following adjustments to beginning fund balance.

	General	Special Revenue	Capital Projects	Expendable Trust
Balances as Previously Recorded	\$919,933	\$1,050,907	\$1,814,120	\$18,383
Understatement of Cash	175	0	0	0
Fund Reclassification	11,000	(15,011)	22,394	(18,383)
Restated Balance January 1, 2000	<u>\$931,108</u>	<u>\$1,035,896</u>	<u>\$1,836,514</u>	<u>\$0</u>

**Note 4 - Budgetary Basis of Accounting**

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

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP).



**City of Willoughby Hills, Ohio**  
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4. Unrecorded cash, which consists of unrecorded interest, is not reported by the School District on the operating statements (budget), but is reported on the GAAP basis operating statements.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$160,797)	(\$260,161)	(\$19,234)	\$103,508
Net Adjustment for Revenue Accruals	358,137	(3,584)	10,587	205,125
Unrecorded Cash	(8,552)	(1,650)	0	(6,007)
Net Adjustment for Expenditure Accruals	(100,297)	13,710	0	(2)
Encumbrances	(102,796)	(158,046)	0	(7,580)
Budget Basis	(\$14,305)	(\$409,731)	(\$8,647)	\$295,044

Net Loss/Excess of Revenues Under Expenses and Operating Transfers Proprietary Fund Type	
	Enterprise
GAAP Basis	(\$109,689)
Net Adjustment for Revenue Accruals	74,667
Net Adjustment for Expense Accruals	(54,265)
Depreciation Expense	36,502
Encumbrances	(7,238)
Budget Basis	(\$60,023)

**Note 5 - Accountability and Compliance**

**A. Accountability**

The following agency funds had negative cash balances which violates Ohio Revised Code Section 5705.10:

Associated Estates	\$6,575
Oakview Assessments	347
Rosewood	3,118

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
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Geauga Mechanic	\$1,115
BP Oil	1,370
Sears	2,500
Napoli	3,568
P. Cloonan	320
Lorenzen Wiles	806

***B. Compliance***

The following funds had expenditures in excess of appropriations contrary to Section 5705.41(B), Revised Code:

	Appropriations	Expenditures	Excess
Special Revenue Fund			
Law Enforcement Trust Fund	\$0	\$7,735	\$7,735
Enterprise Funds			
Camelot Pump Station	0	2,053	2,053
Istra Pump Station	0	1,748	1,748
Legend Lane Pump Station	0	730	730
Oakwood Pump Station	0	2,929	2,929
Corporate 90 Pump Station	0	1,907	1,907
Eddy Road Pump Station	0	3,147	3,147
Rosewood Pump Station	0	3,387	3,387

The following funds were had no estimated resources contrary to Section 5705.36, Revised Code:

	Estimated Resources	Revenues	Excess
Enterprise Funds			
Camelot Pump Station	\$0	\$50,684	\$50,684
Istra Pump Station	0	50,372	50,372
Legend Lane Pump Station	0	23,262	23,262
Oakwood Pump Station	0	44,535	44,535
Corporate 90 Pump Station	0	662	662
Eddy Road Pump Station	0	56,544	56,544
Rosewood Pump Station	0	20,883	20,883

In order to eliminate the budgetary violations, appropriations will be monitored more closely.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2000*

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**Note 6 - Deposits and Investments**

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

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

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

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

Interim monies can be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
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6. The State Treasurer's investment pool (STAROhio).

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

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

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

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

**Cash on Hand.** At year end, the City had \$700 in undeposited cash on hand which is included on the balance sheet of the City as part of equity in pooled cash and cash equivalents.

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

**Deposits.** At year-end, the carrying amount of the City's deposits was \$363,888 and the bank balance was \$508,161. Of the bank balance:

1. \$206,837 was covered by federal depository insurance.
2. \$301,324 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

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	Category 3	Carrying Value	Fair Value
Repurchase Agreement	<u>\$1,549,312</u>	\$1,549,312	\$1,549,312
Investment in State Treasurer's Investment Pool		<u>1,711,489</u>	<u>1,711,489</u>
Total Investments		<u>\$3,260,801</u>	<u>\$3,260,801</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3, is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$3,625,389	\$0
Cash on Hand	(700)	0
Investments of Cash Management Pool:		
Repurchase Agreement	(1,549,312)	1,549,312
STAROhio	<u>(1,711,489)</u>	<u>1,711,489</u>
GASB Statement 3	<u>\$363,888</u>	<u>\$3,260,801</u>

**Note 7 - Receivables**

Receivables at December 31, 2000, consisted of taxes, accounts (billings for user charged services), special assessments, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible.

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2000 for real and public utility property taxes represents collections of the 1999 taxes. Property tax payments received during 2000 for tangible personal property (other than public utility property) is for 2000 taxes.

2000 real property taxes are levied after October 1, 2000 on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2000 real property taxes are collected in and intended to finance 2001.

**City of Willoughby Hills, Ohio**  
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Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after October 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after October 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2000, was \$7.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$221,552,450
Public Utility Real	6,146,470
Tangible Personal	15,354,128
Total	\$243,053,048

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Taxable personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Willoughby Hills. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2000. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2000 operations. The receivable is offset by deferred revenue.

***B. Income Tax***

The City levies a municipal income tax of one and a half percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside of the City. The City allows a credit of one hundred percent for income tax paid to another municipality up to a limit of one percent of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are to be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services

**City of Willoughby Hills, Ohio**  
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and facilities and capital improvements of the City of Willoughby Hills. In 2000, the proceeds were allocated one hundred percent to the general fund.

**C. Intergovernmental Receivable**

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund:	
Estate Tax	\$112,685
Undivided Local Government	56,195
Village of Waite Hill	11,574
Local Government Assistance	675
<i>Total General Fund</i>	181,129
Special Revenue Funds:	
Street Construction, Maintenance and Repair	21,229
State Highway	1,721
<i>Total Special Revenue Funds</i>	22,950
Recreation Development Capital Projects Fund	1,119
Sewer Enterprise Fund	4,810
<i>Total Intergovernmental Receivables</i>	\$210,008

**Note 8 - Fixed Assets**

A summary of the enterprise fund fixed assets at December 31, 2000, follows:

Buildings	\$233,000
Improvements	1,583,467
Total	1,816,467
Less: Accumulated Depreciation	(468,056)
Net Fixed Assets	\$1,348,411

**City of Willoughby Hills, Ohio**  
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A summary of changes in general fixed assets follows:

	Balance January 1, 2000	Additions	Deductions	Balance December 31, 2000
Land	\$340,820	\$0	\$0	\$340,820
Buildings and Improvements	2,328,344	0	0	2,328,344
Machinery and Equipment	3,053,508	120,124	4,000	3,169,632
<b>Total</b>	<b>\$5,722,672</b>	<b>\$120,124</b>	<b>\$4,000</b>	<b>\$5,838,796</b>

**Note 9 - 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:

Carrier	Type of Coverage	Coverage
Wichert Insurance Company	Property	\$6,324,222
	Boiler and Machinery	5,000,000
	Inland Marine	501,035
	Crime	25,000
	Vehicle	
	Comprehensive	1,000,000 per occurrence
Collision	1,000,000 per occurrence	
C. N. A. Insurance Company	Law Enforcement Liability	1,000,000 aggregate
	Public Officials Liability	2,000,000 aggregate
National Casualty Insurance Company	Umbrella Liability	2,000,000

Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

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



**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2000*

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**Note 10 - Defined Benefit Pension Plans**

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

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the City was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$94,501, \$196,061, and \$190,329 respectively. The full amount has been contributed for 1999 and 1998. 79.41 percent has been contributed for 2000 with the remainder being reported as a liability in the general long-term obligations account group.

***B. Ohio Police and Fire Pension Fund***

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.25 percent for police and 16.75 percent for firefighters. For 1999, the City contributions were 12.5 percent for police and 17 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$126,906 and \$99,015 for the year ended December 31, 2000, \$199,737 and \$127,294 for the year ended December 31, 1999, and \$174,172 and \$113,350 for the year ended December 31, 1998. The full amount has been contributed for 1999 and 1998. 74.74 and 74.64 percent, respectively, have been contributed for 2000 with the remainder being reported as a liability in the general long-term obligations account group.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2000*

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**Note 11 - Postemployment Benefits**

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

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 401,339. The City's actual contributions for 2000 which were used to fund postemployment benefits were \$62,134. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

***B. Ohio Police and Fire Pension Fund***

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employers' contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll,

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2000*

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of which 7.25 percent of covered payroll was applied to the postemployment health care program during 2000. For 1999, the percent used to fund healthcare was 7 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2000 that were used to fund postemployment benefits were \$75,108 for police and \$42,857 for fire. The OP&F's total health care expenses for the year ended December 31, 2000, were \$106,160,054 which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

## **Note 12 - Other Employee Benefits**

### ***A. Compensated Absences***

Employees earn vacation at different rates which are affected by length of service. In general, vacation earned in any one year must be used within the following year and cannot be carried over except with the written approval of the Mayor. At the time of separation the employee is entitled to payment for any earned but unused vacation.

Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation for a maximum accumulated of 960 work days. Upon retirement, employees shall be paid for all the sick days they have accumulated.

As of December 31, 2000, the liability for unpaid compensated absences was \$562,284 for the entire City.

### ***B. Health Insurance***

As of April 1, 2000, the City has contracted with Medical Mutual of Ohio to provide employee health care coverage. For 2000 the City's share of the monthly premium are \$490 for family coverage and \$125 for single coverage.

## **Note 13 - Capital Leases**

In prior years, the City entered into a lease for the acquisition of equipment for the City's fire department payable from the general fund. The lease meets the criteria of a capital lease as defined by Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in the amount of \$343,143 which represents the present value of the lease payments at the time of the acquisition. A corresponding liability was recorded in the general long-term obligations account group.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
For Year Ended December 31, 2000

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments.

Year	Total
2001	\$79,420
2002	79,420
Total minimum lease payments	158,840
Less: Amount representing interest	(11,323)
Present value of minimum lease payments	\$147,517

**Note 14 - Long-Term Obligations**

The changes in long-term obligations during the year were as follows:

	Outstanding 12/31/99	Additions	(Reductions)	Outstanding 12/31/00
<b>General Obligation Bonds</b>				
1986 7.38% City Hall Addition	\$280,000	\$0	(\$40,000)	\$240,000
1993 2.65 - 5.30% Service Garage Addition	105,000	0	(5,000)	100,000
1993 2.65 - 5.30% Fire Truck Acquisition	80,000	0	(20,000)	60,000
1993 2.65 - 5.30% Sanitary Sewer Improvement	36,988	0	(2,642)	34,346
<i>Total General Obligation Bonds</i>	<u>501,988</u>	<u>0</u>	<u>(67,642)</u>	<u>434,346</u>
<b>Special Assessment Bonds</b>				
1987 7.88% Chardon Sewer System Improvement	56,000	0	(7,000)	49,000
1993 2.65 - 5.30% Sanitary Sewer Improvement	243,012	0	(17,358)	225,654
<i>Total Special Assessment Bonds</i>	<u>299,012</u>	<u>0</u>	<u>(24,358)</u>	<u>274,654</u>
<b>Other Long-term Obligations</b>				
Capital Leases	215,978	0	(68,461)	147,517
Compensated Absences	471,995	84,976	0	556,971
Intergovernmental Payable	0	119,320	0	119,320
<i>Total General Long-term Obligations</i>	<u>\$1,488,973</u>	<u>\$204,296</u>	<u>(\$160,461)</u>	<u>\$1,532,808</u>

**City of Willoughby Hills, Ohio**

*Notes to the General Purpose Financial Statements  
For Year Ended December 31, 2000*

General obligation bonds will be paid from the general bond retirement debt service fund from property taxes. Special assessment bonds were paid from the proceeds of special assessments levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

The capital lease obligation is paid from the general fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the employees' salaries are paid.

The City's overall legal debt margin was \$25,227,939 with an unvoted debt margin of \$13,075,287 at December 31, 2000. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2000 are as follows:

	General Obligation Bonds	Special Assessment Bonds	Totals
2001	\$94,989	\$39,526	\$134,515
2002	90,710	38,210	128,920
2003	86,516	36,878	123,394
2004	62,294	35,528	97,822
2005	58,981	34,153	93,134
2006-2010	120,969	129,982	250,951
2011-2013	41,946	57,594	99,540
Total Principal and Interest	556,405	371,871	928,276
Less: Interest	(122,059)	(97,217)	(219,276)
Total Principal	<u>\$434,346</u>	<u>\$274,654</u>	<u>\$709,000</u>

**Note 15 - Litigation**

The City of Willoughby Hills is a party to legal proceedings. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**Note 16 - Jointly Governed Organizations**

**Northeast Ohio Public Energy Council (NOPEC)** The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 92 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

**City of Willoughby Hills, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For Year Ended December 31, 2000*

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NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Willoughby Hills did not contribute to NOPEC during 2000. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

City of Willoughby Hills  
Lake County  
35405 Chardon Road  
Willoughby Hills, Ohio 44094-9103  
To the City Council:

We have audited the financial statements of the City of Willoughby Hills, Lake County, Ohio, (the City) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated September 10, 2002, wherein we noted that the City restated the Expendable Trust Fund. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-20843-001 through 2001-20843-003.

We also noted a certain immaterial instance of noncompliance that we have reported to the management of the City in a separate letter dated September 10, 2002.

**Internal Control Over Financial Reporting**

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 10, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

**Jim Petro**  
Auditor of State

September 10, 2002



**CITY OF WILLOUGHBY HILLS  
LAKE COUNTY, OHIO  
DECEMBER 31, 2001 and DECEMBER 31, 2000**

**SCHEDULE OF FINDINGS**

<b>Finding Number</b>	<b>2001-20843-001</b>
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**NEGATIVE FUND BALANCES**

Ohio Revised Code Section 5705.10 requires “money paid into any fund shall be used for only the purpose for which such fund was established.”

As disclosed in Note 5 to the City’s 2001 general purpose financial statements, the following Agency Funds had a negative cash fund balances:

<u>Fund</u>	<u>Amount</u>
826 Associated Estates	(\$2,922)
827 Corporate 90 Pump Station	(965)
842 Oakview Assessments	(347)
866 Rosewood	(3,118)
879 Geauga Mech.	(1,115)
879 BP Oil	(1,370)
844 Sears	(2,500)
885 Napoli	(3,568)
888 P. Cloonan	(320)
896 Lorenzen Wiles	(806)

As disclosed in Note 5 to the City’s 2000 general purpose financial statements, the following Agency Funds had a negative cash fund balances:

<u>Fund</u>	<u>Amount</u>
826 Associated Estates	(\$6,575)
842 Oakview Assessments	(347)
866 Rosewood	(3,118)
879 Geauga Mechanic	(1,115)
879 BP Oil	(1,370)
844 Sears	(2,500)
885 Napoli	(3,568)
888 P. Cloonan	(320)
896 Lorenzen Wiles	(806)

The deficit balances indicate money from another fund was used to pay expenditures of the aforementioned fund.

We recommend the City transfer and/or advance funds from the general fund if the situation exists that expenditures would result in a negative fund balance.

**CITY OF WILLOUGHBY HILLS  
LAKE COUNTY, OHIO  
DECEMBER 31, 2001 and DECEMBER 31, 2000**

**SCHEDULE OF FINDINGS**

<b>Finding Number</b>	<b>2001-20843-002</b>
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**Expenditures exceeding Appropriations**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control for the General Fund and the fund level for all other funds, and appropriations may not exceed estimated resources. As disclosed in Note 5 to the City's 2000 general purpose financial statements, the following funds had expenditures that exceeded appropriations:

	<u>Actual Expenses</u>	<u>Appropriations</u>	<u>Excess</u>	<u>Percent</u>
<b>Enterprise Funds:</b>				
Camelot Pump Station	\$2,053	\$0	(\$2,053)	100%
Istra Pump Station	1,748	0	(1,748)	100%
Legend Lane Pump Station	730	0	(730)	100%
Oakwood Pump Station	2,929	0	(2,929)	100%
Corporate 90 Pump Station	1,907	0	(1,907)	100%
Eddy Road Pump Station	3,147	0	(3,147)	100%
Rosewood Pump Station	3,387	0	(3,387)	100%
<b>Special Revenue Fund:</b>				
Law Enforcement Trust Fund	7,735	0	(7,735)	100%

This weakness could allow expenditures in any of the above funds to exceed the total of the available fund balance and the current year revenues. This weakness could result in negative fund balance(s).

We recommend the City compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, and make all necessary adjustments to the amounts appropriated to ensure compliance with the above requirements. This comparison, and amendment if necessary, should be completed on a monthly basis at a minimum.

<b>Finding Number</b>	<b>2001-20843-003</b>
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**Actual Revenue Exceeding Estimated Revenue**

Ohio Revised Code Section 5705.36 allows all subdivisions to request increased or decreased amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. As disclosed in Note 5 to the City's 2000 general purpose financial statements, the following Enterprise Funds had actual revenue amounts that were significantly greater than estimated revenue:

	<u>Estimated Revenue</u>	<u>Actual Revenue</u>	<u>Excess</u>	<u>Percent</u>
<b>Enterprise Funds:</b>				
Camelot Pump Station	\$0	\$50,684	(\$50,684)	100%
Istra Pump Station	0	50,372	(50,372)	100%
Legend Lane Pump Station	0	23,262	(23,262)	100%
Oakwood Pump Station	0	44,535	(44,535)	100%
Corporate 90 Pump Station	0	662	(662)	100%
Eddy Road Pump Station	0	56,544	(56,544)	100%
Rosewood Pump Station	0	20,883	(20,883)	100%

**CITY OF WILLOUGHBY HILLS  
LAKE COUNTY, OHIO  
DECEMBER 31, 2001 and DECEMBER 31, 2000**

**SCHEDULE OF FINDINGS**

<i><b>Finding Number</b></i>	<i><b>2001-20843-003</b></i>
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**Actual Revenue Exceeding Estimated Revenue (Continued)**

During Fiscal Year 2000, the City transferred monies to the above funds to cover beginning fund deficits and current year expenditures. These transfers were not contemplated in the certificate of estimated resources in effect at the time the transfers were made, nor was an amended certificate subsequently received.

Sound budgetary management requires accurate estimates of resources and timely modifications to the certificate of estimated resources. We recommend the City amend its certificate of estimated resources as necessary for all significant changes in estimated resources.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
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**CITY OF WILLOUGHBY HILLS**

**LAKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 7, 2002**