

CITY OF MACEDONIA, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the independent auditor's report of the City of Macedonia, Summit County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

July 12, 2001

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

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CITY OF MACEDONIA, OHIO

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CITY OF MACEDONIA, OHIO

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

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

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

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

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

June 8, 2001

James G. Zupka
Certified Public Accountant

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

	<u>Governmental Fund Types</u>				<u>Proprietary</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fund Types Enterprise</u>
<u>Assets and Other Debits</u>					
Equity in City Treasury Cash and Cash Equivalents and Investments	\$ 1,190,432	\$ 284,838	\$ 515	\$ 2,586,302	\$ 26,121
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	0
Receivables:					
Property Taxes	1,491,312	215,045	0	0	0
Income Taxes	377,219	0	0	226,332	0
Accounts	55,817	13,604	0	7,423	0
Accrued Interest	1,832	0	0	4,107	0
Due from Other Governments	44,580	43,756	0	0	0
Due from Funds	120,317	5,100	0	35,505	0
Inventory	0	35,755	0	0	0
Prepaid Items	27,477	710	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0	0
Other Debits:					
Amount Available in Debt Service Funds	0	0	0	0	0
Amount to be Provided for Retirement of General Long- Term Obligations	0	0	0	0	0
Total Assets and Other Debits	\$ 3,308,986	\$ 598,808	\$ 515	\$ 2,859,669	\$ 26,121

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

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

	Fiduciary	<u>Account Groups</u>		Totals (Memorandum Only)
	<u>Fund Types</u> Trust and <u>Agency</u>	<u>General</u> Fixed Assets	<u>General</u> Long-Term Obligations	
<u>Assets and Other Debits</u>				
Equity in City Treasury Cash and Cash Equivalents and Investments	\$ 260,147	\$ 0	\$ 0	\$ 4,348,355
Cash and Cash Equivalents in Segregated Accounts	5,800	0	0	5,800
Receivables:				
Property Taxes	0	0	0	1,706,357
Income Taxes	0	0	0	603,551
Accounts	951	0	0	77,795
Accrued Interest	0	0	0	5,939
Due from Other Governments	0	0	0	88,336
Due from Funds	0	0	0	160,922
Inventory	0	0	0	35,755
Prepaid Items	0	0	0	28,187
Fixed Assets (Net of Accumulated Depreciation)	0	17,578,712	0	17,578,712
Other Debits:				
Amount Available in Debt Service Funds	0	0	515	515
Amount to be Provided for Retirement of General Long- Term Obligations	0	0	6,975,853	6,975,853
 Total Assets and Other Debits	 \$ 266,898	 \$ 17,578,712	 \$ 6,976,368	 \$ 31,616,077

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

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

<u>Liabilities, Fund Equity, and Other Credits</u>	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Liabilities:					
Accounts Payable	\$ 299,745	\$ 88,911	\$ 0	\$ 0	\$ 0
Contracts Payable	0	0	0	894,440	0
Claims Payable	191,849	0	0	0	0
Accrued Wages and Benefits	108,657	26,915	0	0	0
Accrued Compensated Absences	5,942	2,418	0	0	0
Due to Other Governments	153,317	46,516	0	0	0
Due to Funds	0	120,317	0	40,605	0
Funds on Deposit	0	0	0	0	0
Deferred Revenue	1,473,190	203,013	0	0	0
General Obligation Notes Payable	0	0	0	8,180,000	0
General Obligation Bonds Payable	0	0	0	0	0
Special Assessment Bonds Payable	0	0	0	0	0
Total Liabilities	2,232,700	488,090	0	9,115,045	0
Fund Equity and Other Credits:					
Investment in General Fixed Assets	0	0	0	0	0
Retained Earnings					
Unreserved	0	0	0	0	26,121
Fund Balances					
Reserved for Inventory	0	35,755	0	0	0
Reserved for Prepaid Items	27,477	710	0	0	0
Reserved for Encumbrances	1,696	625	0	397,555	0
Reserved for Debt Service	0	0	515	0	0
Unreserved, Undesignated	1,047,113	73,628	0	(6,652,931)	0
Total Fund Equity (Deficit) and Other Credits	1,076,286	110,718	515	(6,255,376)	26,121
Total Liabilities, Fund Equity and Other Credits	\$ 3,308,986	\$ 598,808	\$ 515	\$ 2,859,669	\$ 26,121

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

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

<u>Liabilities, Fund Equity, and Other Credits</u>	Fiduciary	Account Groups		Totals (Memorandum Only)
	<u>Fund Types</u> Trust and <u>Agency</u>	General <u>Fixed Assets</u>	General <u>Long-Term</u> <u>Obligations</u>	
Liabilities:				
Accounts Payable	\$ 61,540	\$ 0	\$ 0	\$ 450,196
Contracts Payable	0	0	0	894,440
Claims Payable	0	0	0	191,849
Accrued Wages and Benefits	0	0	0	135,572
Accrued Compensated Absences	0	0	210,747	219,107
Due to Other Governments	0	0	17,798	217,631
Due to Funds	0	0	0	160,922
Funds on Deposit	132,330	0	0	132,330
Deferred Revenue	0	0	0	1,676,203
General Obligation Notes Payable	0	0	0	8,180,000
General Obligation Bonds Payable	0	0	5,425,023	5,425,023
Special Assessment Bonds Payable	0	0	1,322,800	1,322,800
Total Liabilities	193,870	0	6,976,368	19,006,073
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	17,578,712	0	17,578,712
Retained Earnings				
Unreserved	0	0	0	26,121
Fund Balances				
Reserved for Inventory	0	0	0	35,755
Reserved for Prepaid Items	0	0	0	28,187
Reserved for Encumbrances	0	0	0	399,876
Reserved for Debt Service	0	0	0	515
Unreserved, Undesignated	73,028	0	0	(5,459,162)
Total Fund Equity (Deficit) and Other Credits	73,028	17,578,712	0	12,610,004
Total Liabilities, Fund Equity, and Other Credits	\$ 266,898	\$ 17,578,712	\$ 6,976,368	\$ 31,616,077

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

CITY OF MACEDONIA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES AND
 EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types				Expendable Trust	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
Revenues						
Taxes	\$ 5,293,281	\$ 371,789	\$ 0	\$ 2,235,934	\$ 0	\$ 7,901,004
Intergovernmental	613,445	352,494	0	0	0	965,939
Special Assessments	0	0	529,442	5,592	0	535,034
Charges for Services	278,513	280,367	0	23,060	0	581,940
Fines, Licenses, and Permits	305,793	14,895	0	0	0	320,688
Interest	51,031	0	14,981	284,434	2,178	352,624
Miscellaneous	77,044	11,182	515	44,610	0	133,351
Total Revenues	<u>6,619,107</u>	<u>1,030,727</u>	<u>544,938</u>	<u>2,593,630</u>	<u>2,178</u>	<u>10,790,580</u>
Expenditures						
Current						
Security of Persons and Property	2,730,366	262,213	0	0	0	2,992,579
Public Health Services	249,924	0	0	0	0	249,924
Leisure Time Activities	8,419	490,706	0	0	52,592	551,717
Community Environment	314,994	5,273	0	0	0	320,267
Basic Utilities	635,119	53,297	0	0	0	688,416
Transportation	246,988	382,503	0	0	0	629,491
General Government	2,400,682	56,427	0	0	0	2,457,109
Capital Outlay	0	0	0	6,900,530	0	6,900,530
Debt Service						
Principal Retirement	0	0	772,482	0	0	772,482
Interest and Fiscal Charges	0	0	393,876	340,421	0	734,297
Total Expenditures	<u>6,586,492</u>	<u>1,250,419</u>	<u>1,166,358</u>	<u>7,240,951</u>	<u>52,592</u>	<u>16,296,812</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,615	(219,692)	(621,420)	(4,647,321)	(50,414)	(5,506,232)
Other Financing Sources (Uses)						
Transfers In	0	303,051	975,198	1,317,764	15,000	2,611,013
Transfers Out	(411,457)	(251,309)	0	(1,948,247)	0	(2,611,013)
Total Other Financing Sources (Uses)	<u>(411,457)</u>	<u>51,742</u>	<u>975,198</u>	<u>(630,483)</u>	<u>15,000</u>	<u>0</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(378,842)	(167,950)	353,778	(5,277,804)	(35,414)	(5,506,232)
Fund Balances at Beginning of Year	<u>1,455,128</u>	<u>278,668</u>	<u>(353,263)</u>	<u>(977,572)</u>	<u>108,442</u>	<u>511,403</u>
Fund Balances (Deficit) at End of Year	<u>\$ 1,076,286</u>	<u>\$ 110,718</u>	<u>\$ 515</u>	<u>\$ (6,255,376)</u>	<u>\$ 73,028</u>	<u>\$(4,994,829)</u>

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

CITY OF MACEDONIA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) -
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local Taxes	\$ 5,054,075	\$ 5,230,554	\$ 176,479	\$ 784,519	\$ 360,008	\$ (424,511)
Intergovernmental Revenue	588,670	624,810	36,140	455,524	365,548	(89,976)
Special Assessments	0	0	0	0	0	0
Charges for Services	253,856	290,441	36,585	259,000	270,126	11,126
Fines, Licenses, and Permits	279,600	305,174	25,574	15,650	15,081	(569)
Interest Income	45,000	49,199	4,199	0	0	0
Miscellaneous	26,225	56,920	30,695	5,000	11,182	6,182
Total Revenues	6,247,426	6,557,098	309,672	1,519,693	1,021,945	(497,748)
Expenditures						
Security of Persons and Property	2,751,000	2,723,751	27,249	265,927	250,318	15,609
Public Health Services	249,234	249,924	(690)	0	0	0
Leisure Time Activities	8,500	8,379	121	449,720	439,570	10,150
Community Environment	316,710	311,843	4,867	0	0	0
Basic Utility Services	626,600	622,663	3,937	82,439	52,847	29,592
Transportation	258,700	251,003	7,697	424,420	380,119	44,301
General Government	2,105,920	2,094,861	11,059	56,052	56,315	(263)
Capital Outlay	0	0	0	0	0	0
Debt Service						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	6,316,664	6,262,424	54,240	1,278,558	1,179,169	99,389
Excess (Deficiency) of Revenues Over (Under) Expenditures	(69,238)	294,674	363,912	241,135	(157,224)	(398,359)
Other Financing Sources (Uses)						
Proceeds of Sale of Notes	0	0	0	0	0	0
Transfers In	247,928	0	(247,928)	282,800	303,051	20,251
Transfers Out	(317,800)	(317,800)	0	(483,043)	(251,309)	231,734
Advances In	0	0	0	100,000	100,000	0
Advances Out	(100,000)	(100,000)	0	0	0	0
Total Other Financing Sources (Uses)	(169,872)	(417,800)	(247,928)	(100,243)	151,742	251,985
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	(239,110)	(123,126)	115,984	140,892	(5,482)	(146,374)
Fund Balances at Beginning of Year	1,387,100	1,387,100	0	289,264	289,264	0
Fund Balances at End of Year	\$ 1,147,990	\$ 1,263,974	\$ 115,984	\$ 430,156	\$ 283,782	\$ (146,374)

CITY OF MACEDONIA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) -
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues						
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 2,104,098	\$ 2,212,233	\$ 108,135
Intergovernmental Revenue	0	0	0	1,197,000	0	(1,197,000)
Special Assessments	233,375	529,442	296,067	0	5,592	5,592
Charges for Services	0	0	0	0	23,060	23,060
Fines, Licenses, and Permits	0	0	0	0	0	0
Interest Income	0	14,981	14,981	0	280,327	280,327
Miscellaneous	0	0	0	0	41,354	41,354
Total Revenues	<u>233,375</u>	<u>544,423</u>	<u>311,048</u>	<u>3,301,098</u>	<u>2,562,566</u>	<u>(738,532)</u>
Expenditures						
Security of Persons and Property	0	0	0	0	0	0
Public Health Services	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Basic Utility Services	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Capital Outlay	0	0	0	8,536,728	6,770,150	1,766,578
Debt Service						
Principal Retirement	772,482	772,482	0	8,554,000	8,554,000	0
Interest and Fiscal Charges	393,877	393,877	0	340,420	340,420	0
Total Expenditures	<u>1,166,359</u>	<u>1,166,359</u>	<u>0</u>	<u>17,431,148</u>	<u>15,664,570</u>	<u>1,766,578</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(932,984)</u>	<u>(621,936)</u>	<u>311,048</u>	<u>(14,130,050)</u>	<u>(13,102,004)</u>	<u>1,028,046</u>
Other Financing Sources (Uses)						
Proceeds of Sale of Notes	0	0	0	8,180,000	8,180,000	0
Transfers In	913,078	881,542	(31,536)	1,443,943	1,411,420	(32,523)
Transfers Out	0	0	0	(2,041,904)	(2,041,904)	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>913,078</u>	<u>881,542</u>	<u>(31,536)</u>	<u>7,582,039</u>	<u>7,549,516</u>	<u>(32,523)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	<u>(19,906)</u>	<u>259,606</u>	<u>279,512</u>	<u>(6,548,011)</u>	<u>(5,552,488)</u>	<u>995,523</u>
Fund Balances at Beginning of Year	(353,263)	(353,263)	0	7,741,238	7,741,238	0
Fund Balances at End of Year	<u>\$ (373,169)</u>	<u>\$ (93,657)</u>	<u>\$ 279,512</u>	<u>\$ 1,193,227</u>	<u>\$ 2,188,750</u>	<u>\$ 995,523</u>

CITY OF MACEDONIA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) -
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999

	Expendable Trust			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 7,942,692	\$ 7,802,795	\$ (139,897)
Intergovernmental Revenue	0	0	0	2,241,194	990,358	(1,250,836)
Special Assessments	0	0	0	233,375	535,034	301,659
Charges for Services	0	0	0	512,856	583,627	70,771
Fines, Licenses, and Permits	0	0	0	295,250	320,255	25,005
Interest Income	8,000	2,178	(5,822)	53,000	346,685	293,685
Miscellaneous	0	0	0	31,225	109,456	78,231
Total Revenues	8,000	2,178	(5,822)	11,309,592	10,688,210	(621,382)
Expenditures						
Security of Persons and Property	0	0	0	3,016,927	2,974,069	42,858
Public Health Services	0	0	0	249,234	249,924	(690)
Leisure Time Activities	153,162	140,807	12,355	611,382	588,756	22,626
Community Environment	0	0	0	316,710	311,843	4,867
Basic Utility Services	0	0	0	709,039	675,510	33,529
Transportation	0	0	0	683,120	631,122	51,998
General Government	0	0	0	2,161,972	2,151,176	10,796
Capital Outlay	0	0	0	8,536,728	6,770,150	1,766,578
Debt Service						
Principal Retirement	0	0	0	9,326,482	9,326,482	0
Interest and Fiscal Charges	0	0	0	734,297	734,297	0
Total Expenditures	153,162	140,807	12,355	26,345,891	24,413,329	1,932,562
Excess (Deficiency) of Revenues Over (Under) Expenditures	(145,162)	(138,629)	6,533	(15,036,299)	(13,725,119)	1,311,180
Other Financing Sources (Uses)						
Proceeds of Sale of Notes	0	0	0	8,180,000	8,180,000	0
Transfers In	15,000	15,000	0	2,902,749	2,611,013	(291,736)
Transfers Out	0	0	0	(2,842,747)	(2,611,013)	231,734
Advances In	0	0	0	100,000	100,000	0
Advances Out	0	0	0	(100,000)	(100,000)	0
Total Other Financing Sources (Uses)	15,000	15,000	0	8,240,002	8,180,000	(60,002)
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	(130,162)	(123,629)	6,533	(6,796,297)	(5,545,119)	1,251,178
Fund Balances at Beginning of Year	209,012	209,012	0	9,273,351	9,273,351	0
Fund Balances at End of Year	\$ 78,850	\$ 85,383	\$ 6,533	\$ 2,477,054	\$ 3,728,232	\$ 1,251,178

CITY OF MACEDONIA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Enterprise</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 21,810
Total Operating Revenues	<u>21,810</u>
<u>Operating Expenses</u>	
Contractual Services	23,168
Supplies and Materials	2,460
Total Operating Expenses	<u>25,628</u>
Net Loss	(3,818)
Retained Earnings - 1/1/99	<u>29,939</u>
Retained Earnings - 12/31/99	<u><u>\$ 26,121</u></u>

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

CITY OF MACEDONIA, OHIO
 COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

Cash Flows from Operating Activities

Cash Received from Users	\$ 21,810
Cash Payments to Suppliers for Goods and Services	(25,628)
	(3,818)

Net Decrease in Cash and Cash Equivalents	(3,818)
Cash and Cash Equivalents - 1/1/99	29,939
	\$ 26,121

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

Cash Flows from Operating Activities

Operating Loss	\$ (3,818)
	\$ (3,818)

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

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

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

A. **Description of the Entity**

The City

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

Reporting Entity

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 1999, and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

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

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

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

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

Reporting Entity (Continued)

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

B. **Basis of Presentation**

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

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

Governmental Funds

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

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

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

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

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

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

Governmental Funds (Continued)

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

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

Account Groups

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

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

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

C. **Basis of Accounting**

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

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

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

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

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

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

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

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

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

D. Budgetary Accounting

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

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

The City's budgetary process is as follows:

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

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

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

D. **Budgetary Accounting** (Continued)

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

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

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

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

Budgetary Basis of Accounting

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

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

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 1999
 (CONTINUED)

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

D. **Budgetary Accounting** (Continued)

Budgetary Basis of Accounting (Continued)

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

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

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust
GAAP Basis	\$(378,842)	\$(167,950)	\$ 353,778	\$(5,277,804)	\$ (35,414)
Increase (Decrease)					
Due to:					
Revenue Accruals	(168,898)	91,218	1,020,249	(1,051,828)	0
Expenditures					
Accruals	444,729	72,306	(340,421)	774,696	(88,215)
Proceeds	0	0	7,780,000	400,000	0
Principal Retirement	0	0	(8,554,000)	0	0
Net Impact of Encumbrances on Budget Basis					
Expenditures	(20,115)	(1,056)	0	(397,552)	0
Budgetary Basis	\$(123,126)	\$ (5,482)	\$ 259,606	\$(5,552,488)	\$ (123,629)

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

E. **Cash and Investments**

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

During 1999, the portfolio of the City was limited to nonparticipating interest-earning investment contracts (e.g., repurchase agreements). Nonparticipating investment contracts such as non-negotiable certificate of deposit, and repurchase agreements are reported at cost.

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

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

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

F. **Fixed Assets**

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

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

F. **Fixed Assets** (Continued)

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

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

G. **Depreciation**

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

H. **Encumbrances**

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

I. **Grants and Other Intergovernmental Revenues**

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

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

J. **Interfund Transactions**

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

K. **Inventories**

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

L. **Compensated Absences**

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

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

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

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

M. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 1999 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items are equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

N. **Long-Term Obligations**

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

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

O. **Reservations of Fund Balance**

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

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 1999
 (CONTINUED)

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

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

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

NOTE 2: **ACCOUNTABILITY AND COMPLIANCE**

A. **Fund Deficits**

The following funds had deficit fund balances at December 31, 1999:

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
Parks and Recreation	\$ 42,320
Police Pension	22,869
CDBG Grant	8,687
Admissions Tax	43,070
Vehicle License Tax	18,633
Capital Projects:	
82 Widening	164,402
Natorium Project	1,629,770
Road Resurface	1,250,000
Fire Apparatus Acquisition	372,895
Highland Road Phase I & II	113,388
Safety Service Building	3,190,000

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

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 1999
 (CONTINUED)

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

A. **Fund Deficits** (Continued)

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

B. **Legal Compliance and Accountability**

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

<u>Fund/Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
General Fund:			
Public Health Services	\$ 249,234	\$ 249,924	\$ (690)
Special Revenue Fund:			
General Government	56,052	56,315	(263)

Section 5705.39 of the Ohio Revised Code states that total appropriation from each fund should not exceed total estimated revenue. The following funds had appropriations exceeding the estimated revenue:

<u>Fund</u>	<u>Appropriation</u>	<u>Estimated Revenue</u>	<u>Excess</u>
Debt Service Fund	\$10,060,779	\$10,040,873	\$ 19,906
Special Revenue Fund			
Parks and Recreation	\$ 449,720	\$ 427,540	\$ 22,180

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

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

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

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

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

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

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

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

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

A. **Deposits**

At year end, the carrying amount of the City's deposits was \$4,354,155 and the bank balance was \$4,579,886. \$600,000 of the bank balance was covered by federal depository insurance and \$3,979,886 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the City's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

B. **Investments**

GASB Statement No. 3 requires the City's investments be categorized to give an indication of the level of risk assumed by the City at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

The City did not have any investments (as defined by GASB 3) as of December 31, 1999.

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

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

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 1999
 (CONTINUED)

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

C. **Reconciliation of Cash, Cash Equivalents, and Investments** (Continued)

	<u>Cash & Cash</u> <u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ (35,845)	\$4,390,000
Investments:		
Certificate of Deposit	4,390,000	(4,390,000)
GASB Statement No. 3	<u>\$4,354,155</u>	<u>\$ 0</u>

Certificate of deposits with an original maturity of three months or less are treated as cash equivalents (as defined by GASB 3).

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

NOTE 4: **FIXED ASSETS**

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>January 1,</u> <u>1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>1999</u>
Land and Land Improvements	\$ 793,779	\$ 166,766	\$ 0	\$ 960,545
Buildings, Structures, and Improvements	6,655,620	590,685	0	7,246,305
Machinery and Equipment	950,814	260,378	0	1,211,192
Vehicles	1,962,022	450,716	0	2,412,738
Construction in Progress	0	5,747,932	0	5,747,932
Total	<u>\$10,362,235</u>	<u>\$ 7,216,477</u>	<u>\$ 0</u>	<u>\$17,578,712</u>

CITY OF MACEDONIA, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

NOTE 5: **INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at December 31, 1999 consist of the following:

Fund	Interfund Receivable	Interfund Payables
General Fund	\$ 120,317	\$ 0
	120,317	0
Special Revenue Funds:		
Admissions Tax	0	100,000
CDBG Grant	0	20,317
Parks and Recreation	5,100	0
	5,100	120,317
Capital Projects:		
Capital Improvement	29,505	11,100
Brookepoint Storm Water Improvement	6,000	0
82 Widening	0	29,505
	35,505	40,605
Total	\$ 160,922	\$ 160,922

CITY OF MACEDONIA, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

NOTE 6: **DUE FROM OTHER GOVERNMENTS**

<u>Fund</u>	<u>Amounts</u>
<u>General Fund</u>	
Local Government Support	\$ 24,177
Estate Taxes	20,403
Total General Fund	44,580
<u>Special Revenue Fund</u>	
Street Maintenance	
Gasoline Tax	10,676
Highway Distribution Tax	21,142
Auto Registration Tax	4,085
	35,903
State Highway	
Gasoline Tax	866
Highway Distribution Tax	1,714
Auto Registration	331
	2,911
Permissive License	
Permissive Tax	4,942
Total Special Revenue Funds	43,756
Total All Funds	\$ 88,336

NOTE 7: **DEFINED BENEFIT PENSION PLANS**

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

A. **Public Employees Retirement System**

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

CITY OF MACEDONIA, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent of covered payroll. The City's required contributions to PERS for the years ended December 31, 1999, 1998, and 1997, were \$285,715, \$253,750, and \$228,128, respectively. The full amount has been contributed for 1998 and 1997, 73 percent has been contributed for 1999 with the remainder being reported as a liability within the respective funds.

B. **Police and Fire Pension Fund**

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

CITY OF MACEDONIA, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

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

B. **Police and Firemen's Disability and Pension Fund** (Continued)

Plan members are required to contribute 10 percent of their annual covered salary, while the City is required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to the OP&F for the years ended December 31, 1999, 1998, and 1997, were \$284,647, \$209,376, and \$197,431, respectively. The full amount has been contributed for 1998 and 1997, 73 percent has been contributed for 1999 with the remainder being reported as a liability within the respective funds.

NOTE 8: **POSTEMPLOYMENT BENEFITS**

A. **Public Employees Retirement System**

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients and primary survivor recipients is also 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 contributions to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate was 13.55 percent of covered payroll for employees not engaged in law enforcement; 4.2 percent was the portion that was used to fund health care for 1999. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The portion of the 1999 employer contribution rate (identified above) that was used to fund health care for the year 1999 was 4.2 percent of covered payroll, which amounted to \$88,561.

Other postemployment benefits are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

CITY OF MACEDONIA, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

NOTE 8: **POSTEMPLOYMENT BENEFITS** (Continued)

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

During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,063.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to other postemployment benefits. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. **Police and Firemen's Disability and Pension Fund**

The 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 that health care costs paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter's employer contribution rate is 24 percent of covered payroll.

The Ohio Revised Code provides statutory authority allowing the OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 6.5 percent and 7.0 percent of covered payroll in 1998 and 1999, respectively. The allocation is 7.25 percent in 2000. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

CITY OF MACEDONIA, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

NOTE 8: **POSTEMPLOYMENT BENEFITS** (Continued)

B. Police and Firemen's Disability and Pension Fund (Continued)

The number of participants eligible to receive health care benefits as of December 31, 1998, (the latest information available) was 11,424 for police and 9,186 for firefighters. The portion of the City's contributions that was used to pay postemployment benefits was \$63,150 for police and \$31,712 for firefighters. The OP&F's total health care expenses for the year ended December 31, 1998 (the latest information available) were \$78,596,790 which was net of member contributions of \$5,331,515.

NOTE 9: **NOTES PAYABLE**

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

The following general obligation notes were payable at December 31, 1999:

	Balance January 1, <u>1999</u>	<u>Issued</u>	<u>(Retired)</u>	Balance December 31, <u>1999</u>
Capital Projects Notes Payable:				
4.15% State Route 82	\$ 200,000	\$ 100,000	\$ (200,000)	\$ 100,000
4.19% Fire Apparatus Notes	94,000	400,000	(94,000)	400,000
4.35% Macedonia City Center Recreation Center	3,300,000	3,190,000	(3,300,000)	3,190,000
95 Road Resurfacing	3,250,000	3,250,000	(3,250,000)	3,250,000
97/98 Road Resurfacing	660,000	440,000	(660,000)	440,000
	1,050,000	800,000	(1,050,000)	800,000
Total Notes Payable	<u>\$ 8,554,000</u>	<u>\$ 8,180,000</u>	<u>\$(8,554,000)</u>	<u>\$ 8,180,000</u>

All outstanding notes at December 31, 1999 were issued for one year or less. These notes were of the bond anticipation type and will be renewed. Proceeds from the notes were used for street improvements and equipment purchases.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

NOTE 10: **LONG-TERM OBLIGATIONS**

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

	Balance January 1, <u>1999</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>1999</u>
<u>General Obligation Bonds</u>				
Recreation Center	\$ 3,250,000	\$ 0	\$ 271,000	\$ 2,979,000
Safety Building Center	2,310,000	0	201,000	2,109,000
City Hall Construction				
Refunding Bond	414,405	0	77,382	337,023
Total General Obligation Bonds	<u>5,974,405</u>	<u>0</u>	<u>549,382</u>	<u>5,425,023</u>
<u>Special Assessment Bond Payable</u>				
Highland Point Parkway	860,000	0	0	860,000
Driftwood Lane	249,600	0	58,200	191,400
Highland Point Parkway	156,000	0	156,000	0
Highland Road Improvement	280,300	0	8,900	271,400
Total Special Assessment Bond	<u>1,545,900</u>	<u>0</u>	<u>223,100</u>	<u>1,322,800</u>
<u>Other Obligations</u>				
Accrued Compensated Absences	196,325	210,747	196,325	210,747
Due to Other Governments	0	17,798	0	17,798
Total Other Obligations	<u>196,325</u>	<u>228,545</u>	<u>196,325</u>	<u>228,545</u>
Total General Obligation Bonds and Other Obligations	<u><u>\$ 7,716,630</u></u>	<u><u>\$ 228,545</u></u>	<u><u>\$ 968,807</u></u>	<u><u>\$ 6,976,368</u></u>

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 1999
 (CONTINUED)

NOTE 10: **LONG-TERM OBLIGATIONS** (Continued)

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

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

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

Principal and Interest Requirements

A summary of the City's future long-term debt requirements, including principal and interest payments as of December 31, 1999 follows:

<u>Years</u>	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2000	\$ 577,324	\$ 284,854	\$ 70,300	\$ 81,858	\$ 647,624	\$ 366,712
2001	606,619	253,558	245,800	78,409	852,419	331,967
2002	638,256	220,625	249,300	63,605	887,556	284,230
2003	644,824	185,156	183,300	48,627	828,124	233,783
2004	599,000	154,011	184,000	36,741	783,000	190,752
2005-2009	2,359,000	283,737	244,100	70,874	2,603,100	354,611
2010-2014	0	0	97,800	34,138	97,800	34,138
2015-2019	0	0	48,200	4,562	48,200	4,562
Totals	<u>\$5,425,023</u>	<u>\$1,381,941</u>	<u>\$1,322,800</u>	<u>\$418,814</u>	<u>\$6,747,823</u>	<u>\$1,800,755</u>

NOTE 11: **ACCUMULATED UNPAID EMPLOYEE BENEFITS**

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

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 1999
 (CONTINUED)

NOTE 11: **ACCUMULATED UNPAID EMPLOYEE BENEFITS** (Continued)

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

A summary of employee benefit obligations (calculated in accordance with GASB Statement No. 16) at December 31, 1999 is as follows:

	Government <u>Fund Types</u>
Compensated Absences	\$ 210,747
	<hr style="width: 100%;"/> \$ 210,747 =====

Government fund type liabilities are recorded in the General Long-Term Debt Account Group. The liability above excludes the amount of \$8,360 which was paid within the available period, which is reflected as a fund liability in the general fund and special revenue funds.

NOTE 12: **INCOME TAXES**

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

NOTE 13: **PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. The assessed value upon which the 1999 levy was based was approximately \$246 million (per the Summit County Auditor). Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. A reevaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last reevaluation was completed in 1994.

CITY OF MACEDONIA, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999
(CONTINUED)

NOTE 13: **PROPERTY TAXES** (Continued)

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

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

Tangible personal property taxes are based on assessed value determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. For the collection year 1999, the percentage used to determine taxable value of personal property and inventory was 25 percent. Pertinent tangible personal property tax dates are:

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

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

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

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

The full property tax rate for all City operations for the year ended December 31, 1999 was \$13.20 per \$1,000 of assessed value. The assessed value upon which the 1999 tax receipts were based was \$297,787,924. This amount constitutes \$215,417,120 in real property assessed value, \$26,047,620 in public utility assessed value and \$56,323,184 in tangible personal property assessed value.

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 1999
 (CONTINUED)

NOTE 13: **PROPERTY TAXES** (Continued)

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes which are measurable at December 31, 1999. These taxes are intended to finance the next fiscal year's operations and are therefore offset by a credit to deferred revenue. Property taxes receivable at December 31, 1999 amounted to \$1,491,312 in the general fund, \$215,045 in the special revenue funds.

NOTE 14: **CONTINGENCIES AND COMMITMENTS**

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

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

NOTE 15: **RISK MANAGEMENT**

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

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Nixon-Lauranti Insurance	Public Officials Liability (\$1,000,000 limit)	\$ 5,000
Nixon-Lauranti Insurance	Law Enforcement Liability (\$1,000,000 limit)	10,000
Cincinnati Insurance	Buildings and Contents	0
Cincinnati Insurance	Commercial Property	0
Cincinnati Insurance	Inland Marine	500
Cincinnati Insurance	Boiler and Machinery	1,000
Cincinnati Insurance	Automobile Comprehensive	100
Cincinnati Insurance	Automobile Collision	250
Cincinnati Insurance	General Liability (\$2,000,000 Aggregate/\$1,000,000 per occurrence)	0
American Alternative Insurance	Fire Professional Liability	0
Nixon-Lauranti Insurance	Bond - Finance Officials	0
Nixon-Lauranti Insurance	Bond - Public Employees	0

CITY OF MACEDONIA, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 1999
 (CONTINUED)

NOTE 15: **RISK MANAGEMENT** (Continued)

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

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

NOTE 16: **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains one enterprise fund. Financial information for the year ended December 31, 1999 for these enterprise funds is summarized as follows:

	Nordonia Fun Fest
Operating Revenues	\$ 21,810
Operating Loss	(3,818)
Net Loss	(3,818)
Total Assets	26,121
Net Working Capital	26,121
Total Equity	26,121

NOTE 17: **SUBSEQUENT EVENTS**

On May 11, 2000 the City issued one Bond Anticipation Note for approximately \$3,075,000 for the purpose of paying a portion of the cost of constructing, furnishing, improving the site of, and otherwise improving the Macedonia City Center.

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Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

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

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

We have audited the general purpose financial statements of the City of Macedonia, Ohio as of and for the year ended December 31, 1999, and have issued our report thereon dated June 8, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Macedonia, Ohio's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards. We also noted immaterial instances on noncompliance which we have reported to the management of the City of Macedonia, Ohio in a separate letter dated June 8, 2001.

Internal Control Over Financial Reporting

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

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

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

June 8, 2001

James G. Zupka
Certified Public Accountant

CITY OF MACEDONIA, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 1999

The prior audit report, as of December 31, 1998, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF MACEDONIA

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 7, 2001**