



**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

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



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

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**STATE OF OHIO**



**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Pepper Pike  
Cuyahoga County  
28000 Shaker Boulevard  
Pepper Pike, Ohio 44124

To the Members of City Council:

We have audited the accompanying basic financial statements of the City of Pepper Pike, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2000, as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic 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 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.

As described in Note 3 to the basic financial statements, the City adopted Governmental Accounting Standards Board Statements Nos. 33, 34 and 36 and GASB Interpretation 6 as of and for the year ended December 31, 2000.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Pepper Pike, Cuyahoga County, Ohio, as of December 31, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

**Jim Petro**  
Auditor of State

June 12, 2001

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**City of Pepper Pike**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2000*  
*Unaudited*

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The discussion and analysis of the City of Pepper Pike's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2000. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

**Financial Highlights**

Key financial highlights for 2000 are as follows:

- ◆ The assets of the City of Pepper Pike exceeded its liabilities at the close of the most recent fiscal year by \$24 million. Of this amount, \$8.7 million may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets increased by \$3 million, which represents an increase of 10 percent over 1999. Of this increase, \$2.6 million was attributable to an increase in cash and cash equivalents.
- ◆ Total liabilities increased by \$800,000, which represents an increase of 9.75 percent over 1999. This was primarily due to an increase in Notes Payable.
- ◆ In total, net assets in governmental activities increased \$2.2 million during 2000. This represents a 10 percent increase from 1999.

**Using this Annual Financial Report**

This discussion and analysis are intended to serve as an introduction to the City of Pepper Pike's basic financial statements. The City of Pepper Pike's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

***Government-wide financial statements – Reporting the City of Pepper Pike as a Whole***

*Statement of Net Assets and the Statement of Activities*

The Statement of Net Assets presents information on all the City of Pepper Pike's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City of Pepper Pike is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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***Fund Financial Statements - Reporting the City of Pepper Pike's Most Significant Funds***

*Fund Financial Statements*

The analysis of the City's major funds begins on page 16. Fund financial reports provide detailed information about the City's major funds. The City of Pepper Pike uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General fund, Fire Levy fund, Debt Service fund, Gates Mills fund, and the Fairmount Boulevard fund.

*Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

**Government-wide Financial Analysis - City of Pepper Pike as a Whole**

As noted earlier, the Statement of Net Assets looks at the City as a Whole and can prove to be a useful indicator of the City's financial position.



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Table 1 provides a summary of the City's net assets for 2000 as compared to 1999.

Table 1  
City of Pepper Pike Net Assets  
(In Millions)

	Governmental Activities	
	2000	1999
<b>Assets</b>		
Current and Other Assets	\$15.3	\$12.2
Capital Assets, Net	17.7	17.8
<i>Total Assets</i>	<u>33.0</u>	<u>30.0</u>
<b>Liabilities</b>		
Current and Other Liabilities	(4.6)	(3.6)
Long-Term Liabilities:		
Due Within One Year	(0.6)	(0.6)
Due in More Than One Year	(3.7)	(4.0)
<i>Total Liabilities</i>	<u>(8.9)</u>	<u>(8.2)</u>
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	13.8	13.4
Restricted:		
Capital Projects	0.9	1.9
Debt Service	0.6	0.0
Other Purposes	0.1	0.1
Unrestricted	8.7	6.4
<i>Total Net Assets</i>	<u>\$24.1</u>	<u>\$21.8</u>

Total assets increased by \$3 million. Cash and cash equivalents increased by \$2.6 million. Intergovernmental Receivables increased by \$0.5 million and capital assets decreased by \$0.1 million due to depreciation expense.

The net assets of the City increased by \$2.3 million. This was partially due to the fact that an additional \$1.0 million was received in estate tax revenues during 2000 as compared to 1999. Increased income tax collections are due to joint efforts by the City and the Regional Income Tax Agency (RITA), the City income tax collection agency, in tracking new taxpayers, especially contractors performing short term projects within the City, also contributed to increased revenues in this area.

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The City has tried to make concerted efforts to maximize the return on investments of its cash and cash equivalents and use these funds to provide liquidity for planned future capital purchases. Also, the City has and will continue to work in the direction of reducing its current liabilities and expenditures stabilizing short and long-term liabilities. As an example, during 2000, the City along with nine surrounding communities pulled together for the purchase of road salt for the winter snow-plowing program. This measure saved the City approximately \$55,000 in the first year alone, due to the power of volume purchasing afforded by the ten communities jointly bidding. These savings are expected to grow as more communities join the group and pool in their quantities to allow for bigger bargaining power. Another tool used by the City to reduce its long term liability is to pay off accumulated sick leave for employees who have a balance in excess of 960 hours of sick time remaining in their account at the end of each year. This excess is paid off at the rate of 1 hour for every two hours in excess of the 960 hours. This allows the City to buy back accumulated sick hours at the current hourly rate as opposed to paying for it at a higher rate in the future at the time of retirement of the employee. The employees benefit by having funds available to them currently with the opportunity to invest them and potentially gain a higher rate of return as opposed to a future date.

The City of Pepper Pike is also part of the Ohio Municipal League Group Rating Plan (OML) for workers' compensation which helped save approximately \$35,000 in premiums for the year as compared to being strictly a state funded employer. The various departments within the City have established safety committees to meet the Bureau guidelines and also as far as possible to help keep the City premises an injury free work place.

The Table 2 shows the changes in net assets for fiscal year 2000 and corresponds to the Statement of Activities on page 14. Since this is the first year the City has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 1999 are not available.

Table 2  
Changes in Net Assets  
(In Millions)

	Governmental Activities <u>2000</u>
<b>Revenues</b>	
Program Revenues:	
Charges for Services	\$0.1
Operating Grants, Contributions and Interest	0.4
Capital Grants and Contributions	0.3
General Revenue:	
Property Taxes	2.8
Income Taxes	3.9
Grants and Entitlements	2.6
Investment Earnings	0.6
Other	<u>0.1</u>
<i>Total Revenues</i>	<u>\$10.8</u>

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Table 2  
Changes in Net Assets  
(In Millions)

<b>Program Expenses</b>	
General Government	\$0.9
Security of Persons and Property	3.5
Public Health Services	0.1
Transportation	2.9
Community Environment	0.2
Basic Utility Services	1.1
Interest and Fiscal Charges	<u>0.2</u>
<i>Total Expenses</i>	<u>8.9</u>
 <i>Increase in Net Assets</i>	 <u>\$1.9</u>
 <i>Governmental Activities</i>	

Several revenue sources fund our governmental activities with the City income tax being the largest contributor. The City's income tax rate is one percent on gross income and has not changed since 1971 when the tax was originally instituted. Residents of the City who work in another community and pay the withholding tax for that community receive a fifty percent tax credit on their City tax for Pepper Pike, the credit limit being one percent. During 2000 the revenues generated from this tax amounted to \$3.9 million and constituted an increase of six percent over 1999 collections. Property tax revenues come in a close second generating \$2.8 million in revenues for the year 2000, which constituted an increase of thirty-three percent over the \$2.1 million collected during 1999. The reason for this large increase is that during the 1999 General Elections the residents of the City overwhelmingly approved a 4 mill replacement levy for the operation and upkeep of the fire and EMS department which generated an additional \$0.7 million in property taxes. The median home value in the City is \$375,000.

Security of Persons and Property and Transportation are the major activities of the City generating seventy-two percent of the governmental expenses. Currently, there are sixteen full-time sworn officers in the Police department. This number will be boosted to nineteen during 2001 due to additional hiring. Pepper Pike was recently rated amongst the top five communities with regards to its safety forces in an annual study conducted by Cleveland Magazine. During 2000, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology. The jail was converted to a three-day holding facility to reduce the costs of operations of a full-fledged jail and the liabilities associated with running such a facility. The Fire department consists of twelve full-time and seventeen part-time fire fighters. All but one of these fire fighters are fully trained paramedics. Again, training plays a crucial role in the day to day operation of the fire department. Techniques such as driving rodeos, live practice burn-downs, continuing education classes, practice drills and watching training videos help keep the men updated to perform their jobs most efficiently. The Finance department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

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The City also has an annual road program which entails major and minor resurfacing of the various streets in Pepper Pike. It also has a crack sealing and concrete repairs program all of which account for approximately \$750,000 in governmental expenses for the upkeep and maintenance of the roadways within the City limits. For the major resurfacing projects, the City has actively pursued and has been successful in obtaining grants, and financial assistance from the Ohio Public Works Commission. These grants and loan assistance programs account for twenty to thirty percent of the actual costs of the project, the balance being borrowed from the open market by way of bond issues, which reduces the amount of borrowing the City has to undertake. Two of the major funds depicted in the Governmental Funds Balance Sheet (page 16) and Statement of Revenues, Expenditures and Changes in Fund Balances (page 18) are Gates Mills Boulevard and Fairmount Boulevard. These are an example of the City's annual road maintenance programs. Gates Mills Boulevard was essentially completed during 1999. Twenty-five percent of the total project cost of \$2,290,000 was funded by the OPWC by way of a grant, the balance being borrowed in the open market. In addition to this grant, the City was able to procure an additional \$160,715 in the form of loan assistance to help pay for the interest costs on the borrowing incurred by the City towards the project.

### **The City's Funds**

Information about the City's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10.7 million and expenditures of \$9 million. The net change in fund balance for the year was most significant in the General Fund, an increase of \$2.6 million. This increase indicated that the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

#### *General Fund Budgeting Highlights*

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held council meeting, which is open to the public, the budget is adopted at an object level by City council. Within each object, appropriations can be transferred between line items with the approval of the Finance Director and the respective department head. Council must approve any revisions in the budget that alter the object level totals or the total appropriations for any department or fund. During the course of fiscal 2000, the City amended its general fund budget once at the end of the fiscal year.

For the general fund, budget basis revenue was \$2.5 million above original budget estimates of \$5.4 million. Of this \$2.5 million difference, most was due to the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenues areas.

The original appropriations of \$6.5 million were increased to \$6.7 million. Expenditures, however, were only \$5.8 million or \$0.7 million less than anticipated due to a savings experienced in contracts for the annual road maintenance program and other areas like health insurance costs.

The City's ending unobligated budgetary fund balance was \$3.6 million higher than the final budgeted amount.

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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2000, the City of Pepper Pike had \$17.7 million invested in land, buildings, equipment and construction in progress.

Table 3 shows fiscal 2000 balances of Capital Assets as compared to 1999:

Table 3  
 Capital Assets at December 31  
 (Net of Depreciation, in Millions)

	<u>Governmental Activities</u>	
	<u>2000</u>	<u>1999</u>
Land	\$0.3	\$0.3
Improvements to Land	0.2	0.2
Buildings and Improvements	3.3	3.4
Vehicles	0.3	0.4
Furniture, Fixtures and Equipment	0.2	0.3
Infrastructure		
Streets	12.3	12.1
Bridges	0.1	0.1
Sanitary Sewer System	<u>1.0</u>	<u>1.0</u>
<i>Totals</i>	\$17.7	\$17.7

Net of depreciation, the balances for the above capital assets remained practically unchanged. However, this belies the City's aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as fire trucks, ambulances, rubbish trucks etc. are planned for well in advance by the respective department heads and a scheduled maintenance and replacement time table is followed to provide peak performance for the maximum time frame. Police cars are replaced every eighteen months or when they have been driven approximately 65,000 miles. The older vehicles are either traded in to the dealers or sold to the highest bidder in the open market.

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the streets, bridges, culverts and sewer lines in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or cracksealed and in the case of concrete roads either replaced or repaired. After approval from council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the current operating funds of the City. In the

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case of a major resurfacing project on one of the main arteries in Pepper Pike, as mentioned before, the City has effectively pursued external sources of funding twenty to thirty percent of the project in the form of grants and loan assistance programs from State Issue II funds thereby reducing the total amount to be borrowed to provide the matching funds.

**Debt**

At December 31, 2000, the City of Pepper Pike had \$4.3 million in outstanding debt, of which \$3.2 million was in General Obligation Bonds. Table 4 summarizes the bonds outstanding.

Table 4  
 Outstanding Debt at Year End  
 (In Millions)

	Governmental Activities <u>2000</u>	Governmental Activities <u>1999</u>
General Obligation Bonds	\$3.2	\$3.6
Special Assessment Bonds	\$0.3	\$0.3
OPWC Loan	\$0.4	\$0.4
Compensated Absences	<u>\$0.4</u>	<u>\$0.4</u>
<b>Total</b>	<b>\$4.3</b>	<b>\$4.7</b>

At December 31, 2000, the City's overall legal debt margin was \$31,201,165 with an unvoted debt margin of \$14,418,375. The City of Pepper Pike has an aggressive debt reduction attitude whereby most long term bonds are paid off within ten years as opposed to fifteen or twenty years. Also, the special assessments bonds outstanding represent five separate water and sewer improvement issues in the form of manuscript bonds issued by the City. Manuscript Bonds are bonds issued and purchased by the City and held until maturity as an investment vehicle whereby the City pays interest to the General fund from the Debt Service fund. This form of issue avoids the underwriting and insurance costs and is used in primarily projects which require minimal funding. At year end, the outstanding general obligation debt was \$3,245,000 and the outstanding Special Assessment Manuscript bonds were \$262,935. In addition, the City had an outstanding balance of \$420,866 on a twenty-year interest free loan obtained from the Ohio Water Pollution Loan Control Fund.

**For the Future**

The City of Pepper Pike is strong financially. In addition, the City of Pepper Pike's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In conclusion, the management has been committed to provide the residents of the City of Pepper Pike with full disclosure of the financial position of the City.

**City of Pepper Pike**  
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*Management's Discussion and Analysis*  
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**Contacting the City of Pepper Pike's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director Prashant Shah, CPA, at the City of Pepper Pike, 28000 Shaker Boulevard, Pepper Pike, Ohio 44124, 216-831-8500.

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**City of Pepper Pike**  
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*Statement of Net Assets*  
*December 31, 2000*

	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$9,712,997
Investments	262,935
Accrued Interest Receivable	317,203
Accounts Receivable	13,116
Due from Other Governments	366,950
Prepaid Items	69,482
Materials and Supplies Inventory	12,537
Taxes Receivable	4,207,763
Special Assessments Receivable	400,494
Land	271,350
Depreciable Capital Assets, Net	17,414,336
<i>Total Assets</i>	33,049,163
<b>Liabilities</b>	
Accrued Wages	58,879
Accounts Payable	128,605
Contracts Payable	87,159
Due to Other Governments	298,725
Deferred Revenue	2,680,089
Accrued Interest Payable	56,596
Notes Payable	1,335,000
Long-Term Liabilities:	
Due Within One Year	598,891
Due In More Than One Year	3,680,080
<i>Total Liabilities</i>	8,924,024
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	13,788,014
Restricted for:	
Capital Projects	892,420
Debt Service	579,648
Other Purposes	160,658
Unrestricted	8,704,399
<i>Total Net Assets</i>	\$24,125,139

See accompanying notes to the basic financial statements

**City of Pepper Pike**  
**Cuyahoga County**  
*Statement of Activities*  
For the Year Ended December 31, 2000

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$908,637	\$78,863	\$0	\$1,160
Security of Persons and Property	3,546,786	9,027	0	0
Public Health Services	92,083	1,175	0	0
Transportation	2,901,460	0	225,424	273,849
Community Environment	155,166	16,499	0	0
Basic Utility Services	1,105,989	0	0	0
Interest and Fiscal Charges	222,803	0	153,125	0
<i>Total Governmental Activities</i>	<u>\$8,932,924</u>	<u>\$105,564</u>	<u>\$378,549</u>	<u>\$275,009</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Debt Service

Special Revenue

Income Taxes Levied for General Purposes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year - (See Note 3)*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

<u>Net (Expense)</u> <u>Revenue and Changes</u> <u>in Net Assets</u>
<u>Governmental</u> <u>Activities</u>
(\$828,614)
(3,537,759)
(90,908)
(2,402,187)
(138,667)
(1,105,989)
(69,678)
<u>(8,173,802)</u>
1,107,184
465,693
1,256,228
3,919,885
2,584,290
630,595
74,680
<u>10,038,555</u>
1,864,753
<u>22,260,386</u>
<u><u>\$24,125,139</u></u>

**City of Pepper Pike**  
**Cuyahoga County**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2000*

	General	Fire Levy	Debt Service	Gates Mills	Fairmount Boulevard
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$7,116,997	\$14,605	\$115,684	\$204,943	\$1,303,872
Investments in Segregated Accounts	262,935	0	0	0	0
Receivables:					
Taxes	2,356,257	1,144,892	522,780	0	0
Accounts	13,116	0	0	0	0
Interfund	326,061	0	0	0	0
Special Assessments	0	0	400,494	0	0
Accrued Interest	317,203	0	0	0	0
Due from Other Governments	152,206	73,100	31,204	0	0
Materials and Supplies Inventory	12,537	0	0	0	0
Prepaid Items	69,482	0	0	0	0
<i>Total Assets</i>	<u>\$10,626,794</u>	<u>\$1,232,597</u>	<u>\$1,070,162</u>	<u>\$204,943</u>	<u>\$1,303,872</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$120,924	\$7,681	\$0	\$0	\$0
Contracts Payable	87,159	0	0	0	0
Interfund Payable	0	0	0	0	0
Accrued Wages	48,153	10,726	0	0	0
Due to Other Governments	1,023	0	0	0	0
Deferred Revenue	1,472,755	1,217,992	954,478	0	0
Accrued Interest Payable	0	0	0	0	41,652
Notes Payable	0	0	0	0	1,335,000
<i>Total Liabilities</i>	<u>1,730,014</u>	<u>1,236,399</u>	<u>954,478</u>	<u>0</u>	<u>1,376,652</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	356,815	4,351	0	97,153	0
Reserved for Inventory	12,537	0	0	0	0
Unreserved:					
Undesignated, Reported in:					
General Fund	8,527,428	0	0	0	0
Special Revenue Funds (Deficit)	0	(8,153)	0	0	0
Debt Service Funds	0	0	115,684	0	0
Capital Projects Funds	0	0	0	107,790	(72,780)
<i>Total Fund Balances (Deficit)</i>	<u>8,896,780</u>	<u>(3,802)</u>	<u>115,684</u>	<u>204,943</u>	<u>(72,780)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,626,794</u>	<u>\$1,232,597</u>	<u>\$1,070,162</u>	<u>\$204,943</u>	<u>\$1,303,872</u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**

*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2000*

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>		
		<b>Total Governmental Funds Balances</b>	<b>\$9,806,033</b>
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$956,896	\$9,712,997	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,685,686
0	262,935		
183,834	4,207,763	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	
0	13,116	Real Estate Taxes	128,256
0	326,061	Grants	296,375
0	400,494	Estate Taxes	60,899
0	317,203	Income Taxes	245,796
110,440	366,950	Special Assessments	<u>493,533</u>
0	12,537		
0	69,482		
<u>\$1,251,170</u>	<u>\$15,689,538</u>	Total	1,224,859
		Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(297,524)
\$0	\$128,605		
0	87,159	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
326,061	326,061	General Obligation Bonds	(3,245,000)
0	58,879	Special Assessment Bonds	(262,934)
178	1,201	OPWC Loan	(420,866)
259,723	3,904,948	Compensated Absences	(350,171)
0	41,652	Accrued Interest Payable	<u>(14,944)</u>
0	1,335,000		
<u>585,962</u>	<u>5,883,505</u>	Total	<u>(4,293,915)</u>
149,909	608,228	<i>Net Assets of Governmental Activities</i>	<u>\$24,125,139</u>
0	12,537		
0	8,527,428		
113,138	104,985		
0	115,684		
<u>402,161</u>	<u>437,171</u>		
665,208	9,806,033		
<u>\$1,251,170</u>	<u>\$15,689,538</u>		

**City of Pepper Pike**  
**Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2000*

	General	Fire Levy	Debt Service	Gates Mills Boulevard	Fairmount Boulevard
<b>Revenues</b>					
Property and Other Taxes	\$1,033,982	\$1,080,132	\$459,157	\$0	\$0
Municipal Income Tax	3,896,358	0	0	0	0
Charges for Services	34,029	0	0	0	0
Fines and Forfeitures	63,725	0	0	0	0
Intergovernmental	2,325,148	143,991	214,335	273,849	0
Special Assessments	0	0	58,112	0	0
Interest	630,595	0	0	0	0
Rentals	7,810	0	0	0	0
Contributions and Donations	0	0	0	0	0
Other	61,698	0	0	0	0
<i>Total Revenues</i>	<u>8,053,345</u>	<u>1,224,123</u>	<u>731,604</u>	<u>273,849</u>	<u>0</u>
<b>Expenditures</b>					
Current:					
General Government	704,455	0	3,099	0	0
Security of Persons and Property	1,753,571	1,299,842	0	0	0
Public Health Services	22,191	0	0	0	0
Transportation	1,421,711	0	0	0	0
Community Environment	152,691	0	0	0	0
Basic Utility Services	1,101,600	0	0	0	0
Capital Outlay	0	0	0	1,270,853	31,128
Debt Service:					
Principal Retirement	0	0	406,425	0	0
Interest and Fiscal Charges	0	0	182,938	0	41,652
<i>Total Expenditures</i>	<u>5,156,219</u>	<u>1,299,842</u>	<u>592,462</u>	<u>1,270,853</u>	<u>72,780</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,897,126</u>	<u>(75,719)</u>	<u>139,142</u>	<u>(997,004)</u>	<u>(72,780)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	65,000	0	0	0
Transfers Out	(280,000)	0	0	0	0
<i>Total Other Financing Sources and Uses</i>	<u>(280,000)</u>	<u>65,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	2,617,126	(10,719)	139,142	(997,004)	(72,780)
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	6,295,722	6,917	(23,458)	1,201,947	0
Decrease in Reserve for Inventory	(16,068)	0	0	0	0
<i>Fund Balances (Deficit) End of Year</i>	<u>\$8,896,780</u>	<u>(\$3,802)</u>	<u>\$115,684</u>	<u>\$204,943</u>	<u>(\$72,780)</u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2000*

Other Governmental Funds	Total Governmental Funds		
		<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$1,557,116</b>
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$162,056	\$2,735,327	Governmental funds report capital outlays as expenditures.	
0	3,896,358	However, in the statement of activities, the cost of those	
0	34,029	assets is allocated over their estimated useful lives as	
0	63,725	depreciation expense. This is the amount by which capital	
218,260	3,175,583	outlays exceeded depreciation in the current period.	(85,399)
0	58,112		
0	630,595	Revenues in the statement of activities that do not provide	
0	7,810	current financial resources are not reported as revenues	
1,160	1,160	in the funds.	124,382
8,898	70,596		
<hr/>	<hr/>	Repayment of bond principal is an expenditure in the	
390,374	10,673,295	governmental funds, but the repayment reduces long-term	
		liabilities in the statement of net assets.	406,425
		In the statement of activities, interest is accrued on	
0	707,554	outstanding bonds, whereas in governmental funds, an	
397,136	3,450,549	interest expenditure is reported when due.	1,787
0	22,191		
113,475	1,535,186	Some expenses reported in the statement of activities,	
0	152,691	such as compensated absences and intergovernmental	
0	1,101,600	payable which represent contractually required pension	
213,412	1,515,393	contributions, do not require the use of current financial	
0	406,425	resources and therefore are not reported as expenditures	
0	224,590	in governmental funds.	(139,558)
<hr/>	<hr/>	<i>Change in Net Assets of Governmental Activities</i>	<hr/>
724,023	9,116,179		<b>\$1,864,753</b>
<hr/>	<hr/>		
(333,649)	1,557,116		
215,000	280,000		
0	(280,000)		
<hr/>	<hr/>		
215,000	0		
(118,649)	1,557,116		
783,857	8,264,985		
0	(16,068)		
<hr/>	<hr/>		
\$665,208	\$9,806,033		
<hr/>	<hr/>		

**City of Pepper Pike**  
**Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2000*

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property and Other Taxes	\$1,062,000	\$1,062,000	\$1,173,937	\$111,937
Municipal Income Tax	3,193,890	3,193,890	3,667,803	473,913
Charges for Services	62,685	62,685	86,815	24,130
Fines and Forfeitures	52,000	52,000	64,507	12,507
Intergovernmental	659,029	659,029	2,339,594	1,680,565
Interest	400,000	400,000	495,945	95,945
Rentals	0	0	7,810	7,810
Other	10,076	10,076	61,972	51,896
<i>Total Revenues</i>	5,439,680	5,439,680	7,898,383	2,458,703
<b>Expenditures</b>				
Current:				
General Government	1,181,262	1,200,011	966,855	233,156
Security of Persons and Property	2,034,359	2,121,931	1,821,473	300,458
Public Health Services	24,759	26,639	22,319	4,320
Transportation	1,627,277	1,634,687	1,653,621	(18,934)
Community Environment	182,233	186,978	155,435	31,543
Basic Utility Services	1,482,199	1,568,131	1,212,092	356,039
<i>Total Expenditures</i>	6,532,089	6,738,377	5,831,795	906,582
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,092,409)	(1,298,697)	2,066,588	3,365,285
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(395,000)	(395,000)	(280,000)	115,000
Advances In	0	0	321,276	321,276
Advances Out	(27,715)	(37,367)	(213,000)	(175,633)
<i>Total Other Financing Sources (Uses)</i>	(422,715)	(432,367)	(171,724)	260,643
<i>Net Change in Fund Balance</i>	(1,515,124)	(1,731,064)	1,894,864	3,625,928
<i>Fund Balance Beginning of Year</i>	4,735,148	4,735,148	4,735,148	0
Prior Year Encumbrances Appropriated	203,348	203,348	203,348	0
<i>Fund Balance End of Year</i>	\$3,423,372	\$3,207,432	\$6,833,360	\$3,625,928

See accompanying notes to the basic financial statements



**City of Pepper Pike**  
**Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Levy Fund*  
*For the Year Ended December 31, 2000*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property and Other Taxes	\$1,101,300	\$1,101,300	\$1,080,132	(\$21,168)
Intergovernmental	130,754	130,754	143,991	13,237
<i>Total Revenues</i>	1,232,054	1,232,054	1,224,123	(7,931)
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,440,968	1,301,868	1,297,566	4,302
<i>Excess of Revenues Under Expenditures</i>	(208,914)	(69,814)	(73,443)	(3,629)
<b>Other Financing Sources</b>				
Transfers In	200,000	200,000	65,000	(135,000)
<i>Net Change in Fund Balance</i>	(8,914)	130,186	(8,443)	(138,629)
<i>Fund Balance Beginning of Year</i>	12,833	12,833	12,833	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$3,919</u>	<u>\$143,019</u>	<u>\$4,390</u>	<u>(\$138,629)</u>

See accompanying notes to the basic financial statements

**City of Pepper Pike**  
**Cuyahoga County**  
*Statement of Fiduciary Net Assets*  
*Agency Funds*  
*December 31, 2000*

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**Assets**

Equity Pooled in Cash and Cash Equivalents	<u><u>\$142,886</u></u>
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**Liabilities**

Deposits Held and Due to Others	<u><u>\$142,886</u></u>
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See accompanying notes to the basic financial statements

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000**

**NOTE 1 - REPORTING ENTITY**

The City of Pepper Pike is a municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City operates under its own charter which was adopted on January 1, 1967. The City is governed under the mayor-council form of government.

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the legal entity of the City of Pepper Pike (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity."

The primary government includes the City departments and agencies that provide the following services: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair 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 that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City is associated with a jointly governed organization, the Northeast Ohio Public Energy Council. This organization is presented in Note 18 of the Basic Financial Statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***A. Basis of Presentation***

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds: governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

**Fire Levy Special Revenue Fund** The fire levy special revenue fund is used to account for monies received from a fire levy. Monies are used to maintain fire equipment and for salaries of firemen.

**Debt Service Fund** The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Gates Mills Boulevard Capital Projects Fund** The permanent improvement capital projects fund accounts for financial resources to be used for improvements to Gates Mills Boulevard.

CITY OF PEPPER PIKE  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Fund Accounting (Continued)**

**Fairmount Boulevard Capital Projects Fund** The Fairmount Boulevard capital projects fund accounts for financial resources to be used for improvements to Fairmount Boulevard.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's agency funds are purely custodial Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds.

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities. The City has no proprietary funds.

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues, and in the presentation of expenses versus expenditures.

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

***Revenues - Exchange and Non-exchange Transactions*** 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 days of year-end.

Nonexchange 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 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 nonexchange 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 year-end: income tax, interest, grants, fees and rentals.

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2000, but which were levied to finance year 2001 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** 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 PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***E. Budgets***

An annual appropriated budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a detailed discussion at a regularly held council meeting, which is open to the public, the budget is adopted at an object level by City council. Within each object, appropriations can be transferred between line items with the final approval of the finance director and the respective department head. Council must approve any revisions in the budget that alter the object level totals or the total appropriations for any department or fund. The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

***Tax Budget*** A tax budget of estimated revenues and expenditures for all funds other than agency funds 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 tax 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 October 1. As part of this certification, the City receives the official certificate of estimated resources that 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 appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources can be further amended during the year if the City Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2000. 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 revised budget column 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 may be supplemented during the year by action of Council, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. During the year, several supplemental appropriation measures were passed. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications. Budget figures which appear in the statement of budgetary comparisons are based upon the Original Budget that is the legally adopted amount of appropriations originally passed by the Board of County Commissioners through the original appropriation resolution. The Revised Budget represents the final appropriation amounts, including all amendments and modifications.

***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 re-appropriated.

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***E. Budgets (Continued)***

***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. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures of governmental funds.

***F. Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through 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 were limited to Federal Home Loan Bank Notes, Federal Home Loan Mortgage Notes, United States Treasury Notes, STAROhio, and special assessment manuscript bonds. Investments are reported at fair value which is based on quoted market prices.

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.

Interest is distributed to the general fund. Interest revenue credited to the general fund during 2000 amounted to \$630,595, which includes \$168,540 assigned from other City funds.

***G. Inventory***

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

***H. Prepaid Items***

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/expense in the year in which it was consumed.

***I. Capital Assets***

General capital assets are long-lived assets of the City as a whole. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.



**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***I. Capital Assets (Continued)***

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two thousand dollars. The City's infrastructure consists of streets, bridges and sanitary sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land	N/A
Buildings and Improvements	30 - 75 years
Equipment	5 years
Vehicles	10 years
Infrastructure	20 - 100 years

***J. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

***K. Compensated Absences***

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for 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 includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment 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.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the fund financial statements when due.

***M. Fund Balance Reserves***

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances and inventories are recorded as a reservation of fund balance.

***N. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***O. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2000.

***Q. Estimates***

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

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCE**

**Changes in Accounting Principles** For 2000, the City has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues."

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements present governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 1999, caused by the conversion to the accrual basis of accounting.

	<u>General</u>	<u>Fire Levy</u>	<u>Debt Service</u>
Fund Balances, December 31, 1999	\$6,126,860	\$6,917	(\$23,458)
Implementation of GASB Interpretation No. 6	<u>19,117</u>	<u>0</u>	<u>0</u>
Adjusted Fund Balance, December 31, 1999	6,145,977	6,917	(23,458)
GASB 33 Adjustments:			
Deferred Revenue	<u>149,745</u>	<u>0</u>	<u>0</u>
Adjusted Fund Balance, December 31, 1999	<u><u>\$6,295,722</u></u>	<u><u>\$6,917</u></u>	<u><u>(\$23,458)</u></u>

	<u>Gates Mills</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, December 31, 1999	\$1,201,947	\$783,857	\$8,096,123
Implementation of GASB Interpretation No. 6	<u>0</u>	<u>0</u>	<u>19,117</u>
Adjusted Fund Balance, December 31, 1999	1,201,947	783,857	8,115,240
GASB 33 Adjustments:			
Deferred Revenue	<u>0</u>	<u>0</u>	<u>149,745</u>
GASB 33 Adjusted Fund Balance, December 31, 1999	<u><u>\$1,201,947</u></u>	<u><u>\$783,857</u></u>	<u><u>\$8,264,985</u></u>

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

GASB 34 Adjustments:

Capital Assets	\$17,771,086
Long-Term Liabilities	(4,421,630)
Long-Term (Deferred) Assets	<u>645,945</u>
Governmental Activities Net Assets, December 31, 1999	<u><u>\$22,260,386</u></u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general and major special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and for the major special revenue fund.

Net Change in Fund Balance Major Governmental Funds		
	General	Fire Levy
GAAP Basis	\$2,617,126	(\$10,719)
Net Adjustment for Revenue Accruals	(176,567)	0
Advances In	321,276	0
Fair Value Adjustment for Investments	21,605	0
Net Adjustment for Expenditure Accruals	(183,399)	12,491
Advances Out	(213,000)	0
Encumbrances	(492,177)	(10,215)
Budget Basis	<u>\$1,894,864</u>	<u>(\$8,443)</u>

**NOTE 5 - ACCOUNTABILITY AND COMPLIANCE**

***A. Fund Deficits***

Fund balances at December 31, 2000, included the following individual fund deficits:

Fire Levy Special Revenue Fund	\$3,802
Capital Projects Funds	
Lander/Emerson Water Line	90,380
Pepper Hills Wastewater Treatment Plant	32,027
Fairmount Boulevard	72,780
Kersdale Water Line	114,972

The capital project funds deficits are 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 provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 5 - ACCOUNTABILITY AND COMPLIANCE (Continued)**

***B. Legal Compliance***

The following account has expenditures plus encumbrances in excess of appropriations contrary to Ohio Revised Code Section 5705.41:

Fund/Program	Appropriations	Expenditures Plus Encumbrances	Excess
<b>General Fund:</b>			
Transportation			
Street Improvement			
Capital Outlay	\$436,609	\$602,692	\$166,083

**NOTE 6 - DEPOSITS 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 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 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 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;

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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.

**Deposits.** At year-end, the carrying amount of the City's deposits was \$22,306 and the bank balance was \$463,082. Of the bank balance:

1. \$213,804 was covered by federal depository insurance.
2. \$249,278 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.

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

**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 1	Fair Value
Manuscript Bonds	\$262,934	\$262,934
Federal Home Loan Bank Notes	1,251,813	1,251,813
Federal Home Loan Mortgage Notes	1,257,148	1,257,148
U. S. Treasury Notes	5,444,934	5,444,934
<i>Total</i>	<u>\$8,216,829</u>	<u>8,216,829</u>
Investment in State Treasurer's Investment Pool (STAROhio)		1,736,797
Total Investments		<u>\$9,953,626</u>

The classification of cash and cash equivalents, and investments on the basic 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 basic 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 Investments of Cash Management Pool:	\$9,712,998	\$262,934
Federal Home Loan Bank Notes	(1,251,813)	1,251,813
Federal Home Loan Mortgage Notes	(1,257,148)	1,257,148
U. S. Treasury Notes	(5,444,934)	5,444,934
STAROhio	(1,736,797)	1,736,797
GASB Statement 3	<u>\$22,306</u>	<u>\$9,953,626</u>



**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2000 consist primarily of taxes, accounts, money due from other governments and accrued interest on investments. 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 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.

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 \$9.50 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 Estate	
Residential/Agricultural	\$293,812,990
Other Real Estate	26,515,610
Tangible Personal Property	
Public Utility	11,036,980
General Tangible Personal Property	4,290,219
Total	\$335,655,799

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.

Tangible 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 at September 20.

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 7 - RECEIVABLES (Continued)**

***A. Property Taxes (Continued)***

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Pepper Pike. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real and 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 Taxes***

The City levies a municipal income tax of one percent on substantially all income earned within the City; in addition, residents are required to pay city income tax on income earned outside of the City. The City allows a credit of fifty percent for income tax paid to another municipality.

Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the tenth business day of the following month. Income tax revenue is credited entirely to the general fund.

***C. Intergovernmental Receivables***

A summary of intergovernmental receivables as of December 31, 2000 follows:

	<u>Amounts</u>
Local Government	\$88,430
Homestead and Rollback	178,641
Gasoline and Excise Tax	98,704
Community Diversion Grant	<u>1,175</u>
Total	<u><u>\$366,950</u></u>

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2000, was as follows:

	Balance 12/31/99	Additions	Deductions	Balance 12/31/00
<b>Governmental Activities</b>				
Capital Assets, not being depreciated:				
Land	\$271,350	\$0	\$0	\$271,350
Capital Assets, being Depreciated:				
Improvements to Land	177,600	0	0	177,600
Buildings and Improvements	3,746,547	2,836	0	3,749,383
Vehicles	1,494,135	66,825	0	1,560,960
Furniture, Fixtures and Equipment	1,176,980	157,169	0	1,334,149
Infrastructure				
Streets	\$22,126,765	\$1,277,744	\$0	\$23,404,509
Bridges	170,770	0	0	170,770
Sanitary Sewers	1,781,945	0	0	1,781,945
Construction in Progress	0	31,128	0	31,128
Total Capital Assets, being Depreciated	30,674,742	1,535,702 **	0	32,210,444
Less Accumulated Depreciation:				
Improvements to Land	26,145	8,880	0	35,025
Buildings and Improvements	338,459	42,561	0	381,020
Vehicles	1,091,287	156,096	0	1,247,383
Furniture, Fixtures and Equipment	880,676	269,880	0	1,150,556
Infrastructure				
Streets	9,957,044	1,106,338	0	11,063,382
Bridges	97,339	1,708	0	99,047
Sanitary Sewers	784,056	35,639	0	819,695
Total Accumulated Depreciation	13,175,006	1,621,102	0	14,796,108
Total Capital Assets, being Depreciated, Net	17,499,736	(85,400)	0	17,414,336
Governmental Activities Capital Assets, Net	\$17,771,086	(\$85,400)	\$0	\$17,685,686

\*\* Depreciation expense was charged to governmental functions as follows:

**CITY OF PEPPER PIKE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 8 - CAPITAL ASSETS (Continued)**

General Government	\$108,720
Security of Persons and Property	185,864
Transportation	1,143,685
Basic Utility Services	181,200
Community Environment	1,633
Total Depreciation Expense	\$1,621,102

**NOTE 9 - INTERFUND ASSETS AND LIABILITIES**

Interfund balances at December 31, 2000, consist of the following individual fund receivables and payables:

Fund	Receivable	Payable
General Fund	\$326,061	\$0
Capital Projects Funds		
Lander/Emerson Water Line	0	113,061
Pepper Hills Wastewater Treatment Plant	0	33,000
Kersdale Water Line	0	180,000
<i>Total Capital Projects Funds</i>	0	326,061
<i>Total</i>	\$326,061	\$326,061

**NOTE 10 - 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. Unused sick leave can be accumulated up to 120 work days, unless more than 120 work days are approved by the Mayor. Upon retirement, employees with 20 or more years of service shall be paid at the rate of one day for every two days accumulated.

As of December 31, 2000, the liability for unpaid compensated absences was \$350,171 for the entire City.

**NOTE 11 - 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.

**CITY OF PEPPER PIKE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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 contribution to PERS for the years ended December 31, 2000, 1999, and 1998 were \$120,089, \$162,801, and \$150,313, respectively. The full amount has been contributed for 1999 and 1998. 86.48 percent has been contributed for 2000.

***B. Police and Firemen's Disability and 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 \$119,779 and \$146,897 for the year ended December 31, 2000, \$118,663 and \$135,219 for the year ended December 31, 1999, and \$117,643 and \$138,476 for the year ended December 31, 1998. The full amount has been contributed for 1999 and 1998. 70.88 percent and 66.50 percent, respectively, have been contributed for 2000.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

***A. Public Employees Retirement System of Ohio***

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.

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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 \$78,958. 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, 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 \$70,890 for police and \$63,582 for fire. The OP&F's total health care expenses for the year ended December 31, 1999, (the latest information available) were \$95,004,633 which was net of member contributions of \$5,518,098. The number of OP&F participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and 9,807 for firefighters.

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 13 - LONG-TERM DEBT**

Changes in long-term obligations of the City during 2000 are as follows:

	Principal Remaining 12/31/99	Additions	Deductions	Principal Remaining 12/31/00	Amounts Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
1997 5.35%					
Brookwood Water	\$895,000	\$0	(\$50,000)	\$845,000	\$50,000
1998 4.35%					
Street Improvement	2,700,000	0	(300,000)	2,400,000	300,000
<i>Total General Obligation Bonds</i>	<u>3,595,000</u>	<u>0</u>	<u>(350,000)</u>	<u>3,245,000</u>	<u>350,000</u>
<b>Special Assessment Manuscript</b>					
1991 10.00%					
Belgrave Water	\$13,832	\$0	(\$13,832)	\$0	\$0
1991 10.00%					
South Woodland/Pinetree Water	1,379	0	(1,379)	0	0
1996 5.05%					
Brainard Road Water	48,888	0	(5,995)	42,893	6,298
1996 5.75%					
Brainard Road Sewer	149,456	0	(5,415)	144,041	5,727
1999 5.75%					
Lander/Emerson Road Sewer	79,500	0	(3,500)	76,000	4,000
<i>Total Special Assessment Manuscript</i>	<u>293,055</u>	<u>0</u>	<u>(30,121)</u>	<u>262,934</u>	<u>16,025</u>
1995					
OPWC Loan	447,170	0	(26,304)	420,866	26,304
<b>Other Long-Term Debt:</b>					
Compensated Absences	332,024	18,147	0	350,171	206,562
<i>Grand Total</i>	<u>\$4,667,249</u>	<u>\$18,147</u>	<u>(\$406,425)</u>	<u>\$4,278,971</u>	<u>\$598,891</u>

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 13 - LONG-TERM DEBT (Continued)**

The City's overall legal debt margin was \$31,201,165 at December 31, 2000. The unvoted legal debt margin was \$14,418,375. Principal and interest requirements to retire the long-term general obligation bonds, special assessment manuscript bonds and the Ohio Public Works Commission (OPWC) loan as of December 31, 2000 are as follows:

	General Obligation Bonds	Special Assessment Bonds	OPWC Loan	Totals
2001	\$500,658	\$22,473	\$26,304	\$549,435
2002	485,532	22,474	26,304	534,310
2003	470,108	22,474	26,304	518,886
2004	454,533	22,474	26,304	503,311
2005	438,808	22,474	26,304	487,586
2006-2010	1,364,612	78,512	131,521	1,574,645
2011-2015	315,537	70,047	131,521	517,105
2016-2017	102,490	14,009	26,304	142,803
<i>Totals</i>	<u>\$4,132,278</u>	<u>\$274,937</u>	<u>\$420,866</u>	<u>\$4,828,081</u>

General obligation bonds are the direct obligation of the City and will be paid from the debt service fund using property tax revenues. Special assessment bonds will be paid from special assessment proceeds 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 Ohio Public Works Commission (OPWC) project is complete and is being paid from the bond retirement debt service fund. Compensated absences and intergovernmental payable will be paid by the fund from which the employee's salary is paid.

**NOTE 14 - CONTRACTUAL COMMITMENTS**

The City has several continuing contracts with construction contractors. Of the total amounts authorized by Council ordinance, the following amounts remain unspent as of December 31, 2000.

Project	Balance
Gates Mills Boulevard Reconstruction	\$97,153
Kersdale Water Line	63,163
Total	<u>\$160,316</u>



**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 15 - 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 the year the City contracted with several companies for their insurance. The coverages and deductibles are as follows:

<u>Carrier</u>	<u>Type of Coverage</u>	<u>Deductible</u>
C. N. A. Insurance Company	Property	\$1,000
	Boiler and Machinery	1,000
	Inland Marine	500
	Vehicle	
	Comprehensive	100
	Collision	250/500/1,000
	General Liability	n/a
	EMT Liability	n/a
National Casualty Insurance Company	Law Enforcement Liability	5,000
	Public Officials Liability	5,000
RLI Insurance Company	Umbrella Liability	n/a

Settled claims have not exceeded this commercial coverage in any of the past four years. There were no significant reductions in coverage from the prior year.

The City participates in the Ohio Municipal League Group Rating Plan (OML) for workers' compensation. The intent of the OML is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers' compensation premium to the State based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OML. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to cities that can meet the OML's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the OML.

**NOTE 16 - NOTE PAYABLE**

Changes in the City's note activity for the year ended December 31, 2000, were as follows:

	<u>Outstanding 12/31/99</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding 12/31/00</u>
Fairmount Boulevard Street Note 4.80% Matures May 10, 2001	<u>\$0</u>	<u>\$1,335,000</u>	<u>\$0</u>	<u>\$1,335,000</u>

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR YEAR THE ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 16 - NOTE PAYABLE (Continued)**

The notes are backed by the full faith and credit of the City and will mature on May 10, 2001. On a modified accrual basis, the note liability is reflected in the capital projects fund, the fund which received the proceeds. On a full accrual basis, the liability is reflected as "Due within one year" on the statement of net assets. Notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

**NOTE 17 - CONTINGENT LIABILITIES**

The City of Pepper Pike is a party to legal proceedings seeking damages. 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 18 - 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 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 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 Pepper Pike did not contribute to NOPEC during 2000. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

**NOTE 19 - SUBSEQUENT EVENT**

On May 9, 2001, the City issued a bond anticipation note in the amount of \$2,995,000 at 3.6 percent, which will mature on May 9, 2002. This note retired the \$1,335,000 note that was issued by the City on May 10, 2000.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

City of Pepper Pike  
Cuyahoga County  
28000 Shaker Boulevard  
Pepper Pike, Ohio 44124

To the Members of City Council:

We have audited the financial statements of the City of Pepper Pike, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated June 12, 2001, wherein we noted the City adopted Governmental Accounting Standards Board Statements Nos. 33 and 34 and GASB Interpretation 6. 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'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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 12, 2001.

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.

**Jim Petro**  
Auditor of State

June 12, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**CITY OF PEPPER PIKE**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 19, 2001**