



**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



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

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**STATE OF OHIO**



CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY

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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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## REPORT OF INDEPENDENT ACCOUNTANTS

City of Olmsted Falls  
Cuyahoga County  
26100 Bagley Road  
Olmsted Falls, Ohio 44138

To the City Council:

We have audited the accompanying financial statements of the City of Olmsted Falls, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the City prepares its financial statements, and the notes to the financial statements on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the City of Olmsted Falls, Cuyahoga County, Ohio, as of December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, City Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

October 21, 2002

**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$2,514,613	\$695,682	\$0	\$264,447	\$0	\$3,474,742
Licenses, Permits and Fees	172,616					172,616
Special Assessments	37,083	97,195	283,314	3,600		421,192
Intergovernmental	394,593	567,872		72,709		1,035,174
Charges for Services	116,973	301,882				418,855
Fines & Forfeitures	188,711	565				189,276
Earnings on Investments	234,449			49,421		283,870
Miscellaneous	110,411	330	6,439		26,400	143,580
<b>Total Cash Receipts</b>	<b>3,769,449</b>	<b>1,663,526</b>	<b>289,753</b>	<b>390,177</b>	<b>26,400</b>	<b>6,139,305</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	1,575,975	1,192				1,577,167
Security of Persons & Property	1,822,404	470,325				2,292,729
Physical Environment	29,269	164,893				194,162
Transportation	531,347	443,408				974,755
Economic Development	189,291	5,773				195,064
Public Health	20,186	42,478				62,664
Cultural & Recreational	6,018	65,220				71,238
Debt Service:						
Principal Payments	96,781		154,733	2,875,000		3,126,514
Interest Payments	15,485		202,577	135,125		353,187
Capital Outlay	484,090	202,792		824,823		1,511,705
<b>Total Cash Disbursements</b>	<b>4,770,846</b>	<b>1,396,081</b>	<b>357,310</b>	<b>3,834,948</b>	<b>0</b>	<b>10,359,185</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(1,001,397)</b>	<b>267,445</b>	<b>(67,557)</b>	<b>(3,444,771)</b>	<b>26,400</b>	<b>(4,219,880)</b>
<b>Other Financing Receipts and (Disbursements):</b>						
Sale of Bonds or Notes	201,243			2,500,000		2,701,243
Sale of Fixed Assets	200,501					200,501
Transfers-In	0		54,799			54,799
Advances-In	182,346			30,000		212,346
Transfers-Out	(2,264)			(52,535)		(54,799)
Advances-Out	(30,000)	(182,346)				(212,346)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>551,826</b>	<b>(182,346)</b>	<b>54,799</b>	<b>2,477,465</b>	<b>0</b>	<b>2,901,744</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(449,571)	85,099	(12,758)	(967,306)	26,400	(1,318,136)
Fund Cash Balances, January 1	2,102,656	1,915,175	479,371	2,143,225	169,811	6,810,238
<b>Fund Cash Balances, December 31</b>	<b>\$1,653,085</b>	<b>\$2,000,274</b>	<b>\$466,613</b>	<b>\$1,175,919</b>	<b>\$196,211</b>	<b>\$5,492,102</b>
Reserve for Capital Asset Replacement		\$213,270				\$213,270
Reserve for Encumbrances, December 31	\$640,339	\$505,652	\$0	\$54,083	\$0	\$1,200,074

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

**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Agency</b>
<b>Operating Cash Receipts:</b>	
Fines & Forfeitures	\$218,923
Total Operating Cash Receipts	218,923
<b>Operating Cash Disbursements:</b>	
State & Local Court Fines & Costs Distributed	219,422
Total Operating Cash Disbursements	219,422
Operating Income/(Loss)	(499)
<b>Non-Operating Cash Receipts:</b>	
Court Bonds Received	8,655
Developer Deposits	91,751
Other Non-Operating Receipts	2,688
Total Non-Operating Cash Receipts	103,094
<b>Non-Operating Cash Disbursements:</b>	
Court Bonds Applied and Distributed	7,247
Deposits Distributed	162,334
Other Non-Operating Cash Disbursements	2,723
Total Non-Operating Cash Disbursements	172,304
Net Receipts Over/(Under) Disbursements	(69,709)
Fund Cash Balances, January 1	777,958
<b>Fund Cash Balances, December 31</b>	<b>\$708,249</b>
Reserve for Encumbrances, December 31	\$663,157

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



**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The City of Olmsted Falls, Cuyahoga County, (the City) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City was incorporated in 1851 and became a city in 1972. Under the City Charter adopted in July 1972, the City has an elected mayor-council form of government. Council is composed of the seven members, three at large and one for each of the City's four wards, all elected for terms of two years. The Director of Law, Director of Finance, Safety Director, Service Director and part-time Community Development Director are appointed by the Mayor and confirmed by Council.

The City, in order to provide the necessary services to its citizens, is segmented into many different activities and smaller accounting entities. Among these are a police force, a fire fighting force, street maintenance, sanitation services, planning and zoning departments, a parks and recreation department, a sewage system and general administrative staff to provide support to these service groups. The operation of each of these activities and entities is directly controlled by City Council through the budgetary process and is, therefore, included as part of the reporting entity. Sewer services are provided to the residents through four wastewater treatment facilities.

The Olmsted Falls City School District (the School District), located within the boundaries of the City, is a distinct political subdivision of the State of Ohio operated under the direction of an elected school board possessing its own budgeting and taxing authority. Accordingly, the School District is not considered part of the City and its operations are not included within the accompanying financial statements.

The Cuyahoga County Public Library (the Library), located within the boundaries of the City, is a distinct political subdivision of the State of Ohio operated under the supervision of the Cuyahoga County Public Library District. The Library is not a component unit of the reporting entity and is not reflected within the accompanying financial statements.

Each year, the residents of Olmsted Falls are assessed, through a tax levy, for a portion of the general operating expenses of the Chestnut Grove Union Cemetery. For 2001 the amount paid to Chestnut Grove Union Cemetery amounted to \$30,367. The residents are also assessed, through a tax levy, for a portion of the operating expenses of Southwest General Hospital. The amount paid in 2001 to Southwest General Hospital amounted to \$42,478. Both of these organizations exercise their own budgetary and financial management authority. Therefore, they are not considered part of the City and their operations are not reflected in the City's financial statements.

Management believes the financial statements included in this report represent all of the funds over which the City has the ability to exercise direct operating control.

**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principals, the City chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Interest earned is recognized and recorded when received.

Certificates of deposit are valued at cost. Investments in STAR Ohio are recorded at values reported by the State Treasurer.

**D. Fund Accounting**

The City maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. Individual funds used by the City are summarized in the accompanying financial statements and are classified as follows:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The City had the following significant Special Revenue Funds:

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing City streets.

**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

*Road Repair Fund* - This fund receives property tax levy money for the general construction, reconstruction, resurfacing and repairs of local streets, roads and bridges.

*Fire Levy Fund* - This fund receives property tax levy money to defer expense incurred in the operation of the city's fire department.

*Community Development Block Grant Fund* - This fund accounted for a grant received from Cuyahoga County for the expenditures related to approved Community Development Block Grant projects and the reimbursement of the resources.

**3. Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The City had the following significant debt service funds:

*Ohio Water Development Authority Debt Service Fund* - This fund receives special assessments for the payment of long-term debt principal and interest due the Ohio Water Development Authority.

*Water Development Project 2 Fund* - This fund receives state grants, and special assessments levied on property owners for the construction of water lines within the City.

*Sewer Development Project 2 Fund* - This fund receives state grants, and special assessments levied on property owners for the construction of sanitary sewer lines within the City.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The City had the following significant capital project funds:

*Capital Improvement Fund* - This fund receives local property and income tax revenue. The revenues are used for various building renovations and construction.

*Project 3 Sewer Fund* - This fund receives state grants, developer fees, and the proceeds of notes due the Ohio Water Development Authority for the construction of sanitary sewer lines within the City.

**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**5. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the City to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the City is acting in an agency capacity are classified as agency funds. The City had the following significant fiduciary funds:

*Developer Deposit Fund* - This agency fund receives deposits from developers to cover the costs of engineering fees, plan reviews, etc. When the development is completed and all requirements have been met, the remaining deposit is returned to the developer.

*Mayor's Court Fund* - This agency fund receives fines and costs from the operation of the Mayor's Court. The revenues are subsequently distributed to the State, the City, or to other courts.

*Municipal Facilities Trust Fund* - This fund receives rental monies from the rental of space for communication towers. These revenues are to be used for Public Facilities.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the City to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 budgetary activity appears in Note 3.

**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The City maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. At year end, the City had \$1,460 in undeposited cash on hand. The carrying amount of cash and investments at December 31 was as follows:

	2001
Deposits:	
Demand deposits	\$192,003
Certificates of deposit	2,612,351
Total deposits	2,804,354
Investments:	
STAR Ohio	3,394,537
Total deposits and investments	\$6,198,891

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,121,748	\$4,171,193	\$49,445
Special Revenue	1,653,635	1,663,526	9,891
Debt Service	299,332	344,552	45,220
Capital Projects	2,878,600	2,890,177	11,577
Fiduciary	26,400	26,400	0
Total	\$8,979,715	\$9,095,848	\$116,133

**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,327,028	\$5,626,719	\$700,309
Special Revenue	2,266,695	1,901,733	364,962
Debt Service	439,000	357,310	81,690
Capital Projects	4,597,723	3,941,566	656,157
Fiduciary	75,000	0	75,000
Total	\$13,705,446	\$11,827,328	\$1,878,118

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by City Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the City.

Tangible personal property tax is assessed by the property owners, who must file a list of such property with the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the City.

**5. LOCAL INCOME TAX**

The City levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the City as well as certain income of residents earned outside of the City.

Employers within the City withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency which is used by the City to collect income taxes. Income tax withholdings are remitted either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**6. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$3,542,617	4.56%
Ohio Water & Sewer Rotary Commission	396,075	5.25%
General Obligation Notes	2,500,000	2.45%
Capital Lease Obligation	264,451	5.60%
Total	<u>\$6,703,143</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$4,224,256 in loans to the City for this project. The loans will be repaid in semiannual installments, including interest, over 20 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by assessments on the property owners to pay part of these loans and the general credit of the City

The City has also obtained resources from the Ohio Water and Sewer Rotary Commission to pay for the assessments contained within the Agricultural District in the City. Those assessments within the Agricultural District must be repaid by the property owners when the properties are sold and no longer qualify as continuous agricultural use. No part of the Ohio Water and Sewer Rotary Commission debt is due until parcels within the Agricultural District no longer qualify as Agricultural Use property.

The General Obligation Bond Anticipation Note (BAN) is an annual note issued in anticipation of a bond issuance to provide for the costs of asbestos removal and abatement, and remodeling, renovating and otherwise improving a City building which will house administrative offices and other municipal functions.

Amortization of the above debt, including interest, is scheduled as follows:

	<u>OWDA Loan</u>	<u>General Obligation Notes</u>
Year ending December 31:		
2002	\$357,310	\$2,561,250
2003	357,309	0
2004	357,310	0
2005	357,309	0
2006	357,310	0
Subsequent	3,291,418	0
Total	<u>\$5,077,966</u>	<u>\$2,561,250</u>

**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**7. LEASING ARRANGEMENTS**

On August 30, 2000, the City entered into a master capital lease-purchase agreement to acquire new equipment for the fire and police departments. Assets acquired under the master capital lease agreement totaled \$333,293 at December 31, 2001. The following is a schedule of future minimum rental payments required under the above capital leases as of December 31, 2001:

<u>Year ending December 31:</u>	<u>Capital Leases</u>
2002	\$77,122
2003	77,122
2004	77,122
2005	63,658
2006	1,940
Total	<u>296,964</u>
Less: Interest	<u>32,513</u>
Present Value of Minimum Lease Payments	<u><u>\$264,451</u></u>

**8. RETIREMENT SYSTEMS**

The City's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, OP&F participants contributed 10% of their wages. The City contributed an amount equal to 19.5% of police participants' and 24% of fire participants' wages. PERS members contributed 8.5% of their wages. The City contributed an amount equal to 13.55% of participants' gross salaries for 2001, respectively. The City has paid all contributions required through December 31, 2001.

**9. RISK MANAGEMENT**

**Commercial Insurance**

The City has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The City also provides health insurance, dental and vision coverage to full-time employees through a private carrier.



**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**10. CONTINGENT LIABILITIES**

The City is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the City's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**11. SUBSEQUENT EVENTS**

On February 14, 2002, the City of Olmsted Falls issued \$2,250,000 Fire Station Improvement Notes, bearing interest at the rate of 2.20%. The proceeds will be used for the purpose of improving the fire station facilities.

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

City of Olmsted Falls  
Cuyahoga County  
26100 Bagley Road  
Olmsted Falls, Ohio 44138

To the City Council:

We have audited the accompanying financial statements of the City of Olmsted Falls, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated October 21, 2002 in which we noted the City prepares its financial statements on a comprehensive basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City'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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-20818-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated October 21, 2002.

**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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated October 21, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

October 21, 2002

**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2001-20818-001**

**Noncompliance Citation**

Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-20818-001	The City did not prepare its annual financial report in accordance with generally accepted accounting principles which is required under Ohio Admin. Code Section 117-2-03 (B)	No	Not Corrected.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**CITY OF OLMSTED FALLS**

**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  
DECEMBER 3, 2002**