



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CITY OF OLMSTED FALLS
CUYAHOGA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Olmsted Falls
Cuyahoga County
26100 Bagley Road
Olmsted Falls, Ohio 44138-1897

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 years ended December 31, 2000 and 1999. 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 audits.

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

Ohio Administrative Code Section 117-6-01 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 on the basis of accounting formally prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than 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 as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 result of our audits.

This report is intended solely for the information and use of 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.

Jim Petro
Auditor of State

June 12, 2001

**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, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$2,253,751	\$643,667		\$241,310		\$3,138,728
Licenses, Permits and Fees	228,055					228,055
Intergovernmental	383,341	475,180				858,521
Charges for Services	124,120	294,882				419,002
Fines & Forfeitures	200,903	1,386				202,289
Earnings on Investments	346,591			96,144		442,735
Miscellaneous	36,036	374	\$6,438	8,702		51,550
Special Assessments		75,458	284,190	3,600		363,248
Total Cash Receipts	3,572,797	1,490,947	290,628	349,756		5,704,128
Cash Disbursements:						
Current:						
General Government	1,044,703					1,044,703
Security of Persons & Property	1,717,507	256,654				1,974,161
Physical Environment	66,093	435,501				501,594
Transportation	320,140	565,333				885,473
Economic Development	154,226	4,528				158,754
Public Health	18,538	42,774				61,312
Cultural & Recreational	5,152	56,423				61,575
Debt Service:						
Principal Payments	9,146		108,229	2,875,000		2,992,375
Interest Payments	4,317		165,376	78,330		248,023
Capital Outlay	326,620	157,974		1,700,130		2,184,724
Total Cash Disbursements	3,666,442	1,519,187	273,605	4,653,460		10,112,694
Total Cash Receipts Over/(Under) Cash Disbursements	(93,645)	(28,240)	17,023	(4,303,704)		(4,408,566)
Other Financing Receipts/(Disbursements):						
Proceeds of Notes	132,050			5,075,000		5,207,050
Transfers-In			138,359			138,359
Advances-In	117,654					117,654
Other Financing Sources		225				225
Transfers-Out	(2,264)			(136,095)		(138,359)
Advances-Out		(117,654)				(117,654)
Other Financing Uses		(678)				(678)
Total Other Financing Receipts/(Disbursements)	247,440	(118,107)	138,359	4,938,905		5,206,597
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	153,795	(146,347)	155,382	635,201		798,031
Fund Cash Balances, January 1	1,948,861	2,061,522	323,989	1,508,024	\$169,811	6,012,207
Fund Cash Balances, December 31	\$2,102,656	\$1,915,175	\$479,371	\$2,143,225	\$169,811	\$6,810,238
Reserves for Encumbrances, December 31	\$1,057,027	\$369,289	\$0	\$978,126	\$0	\$2,404,442

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 - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$2,190,424	\$633,683		\$235,292		\$3,059,399
Licenses, Permits and Fees	340,359					340,359
Intergovernmental	421,521	345,995	\$587,118	112,046		1,466,680
Charges for Services	123,895	353,117		69,125		546,137
Fines & Forfeitures	143,493	766				144,259
Earnings on Investments	280,061			4,977		285,038
Miscellaneous	86,096		6,438		\$12,000	104,534
Special Assessments		76,955	280,676	3,600		361,231
Total Cash Receipts	3,585,849	1,410,516	874,232	425,040	12,000	6,307,637
Cash Disbursements:						
Current:						
General Government	1,080,118					1,080,118
Security of Persons & Property	1,437,551	383,368				1,820,919
Physical Environment	86,393	289,917				376,310
Transportation	291,763	395,319				687,082
Economic Development	150,585	6,679				157,264
Public Health	18,688	42,906				61,594
Cultural & Recreational	4,299	54,227				58,526
Debt Service:						
Principal Payments			173,804	555,218		729,022
Interest Payments			693,600	95,609		789,209
Capital Outlay	73,590	214,615		579,739		867,944
Total Cash Disbursements	3,142,987	1,387,031	867,404	1,230,566		6,627,988
Total Cash Receipts Over/(Under) Cash Disbursements	442,862	23,485	6,828	(805,526)	12,000	(320,351)
Other Financing Receipts/(Disbursements):						
Proceeds of Notes				675,000		675,000
OWDA Drawdowns				238,790		238,790
Sale of Fixed Assets	1,849					1,849
Transfers-In		2,500	221,087			223,587
Advances-In		300,000				300,000
Other Financing Sources		452				452
Transfers-Out	(4,764)			(218,823)		(223,587)
Advances-Out	(300,000)					(300,000)
Other Financing Uses		(1,260)				(1,260)
Total Other Financing Receipts/(Disbursements)	(302,915)	301,692	221,087	694,967		914,831
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	139,947	325,177	227,915	(110,559)	12,000	594,480
Fund Cash Balances, January 1	1,808,914	1,736,345	96,074	1,618,583	157,811	5,417,727
Fund Cash Balances, December 31	\$1,948,861	\$2,061,522	\$323,989	\$1,508,024	\$169,811	\$6,012,207
Reserves for Encumbrances, December 31	\$616,075	\$693,396	\$0	\$486,768	\$0	\$1,796,239

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 YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000	1999
Operating Cash Receipts:		
Fines & Forfeitures	\$209,508	\$174,244
Operating Cash Disbursements:		
State & Local Court Fines & Costs Distributed	219,603	159,018
Operating Income/(Loss)	(10,095)	15,226
Non-Operating Cash Receipts:		
Court Bonds Received	14,938	7,629
Developer Deposits	155,157	289,200
Railroad Noise Attenuation Deposit	290,000	
Other Non-Operating Receipts	1,920	6,476
Total Non-Operating Cash Receipts	462,015	303,305
Non-Operating Cash Disbursements:		
Court Bonds Applied and Distributed	15,138	7,718
Deposits Distributed	120,436	157,849
Other Non-Operating Cash Disbursements	2,221	6,916
Total Non-Operating Cash Disbursements	137,795	172,483
Excess of Receipts Over Disbursements	314,125	146,048
Fund Cash Balances, January 1	463,833	317,785
Fund Cash Balances, December 31	\$777,958	\$463,833
Reserves for Encumbrances, December 31	\$733,733	\$391,269

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

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**CITY OF OLMSTED FALLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The City 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 President Pro-Tem and five members, one at large and one for each of the City's four wards, all elected for terms of two years. The Director of Law and Finance 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, human resources department, 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 with 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 2000 and 1999, the amount paid to Chestnut Grove Union Cemetery amounted to \$27,580 and \$26,472, respectively. The residents are also assessed, through a tax levy, for a portion of the operating expenses of Southwest General Hospital. The amount paid in 2000 and 1999 to Southwest General Hospital amounted to \$42,774 and \$42,906, respectively. 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, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-6-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the City chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This 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, as formerly prescribed or permitted by the Auditor of State.

C. Investments

Investment procedures are restricted by the provisions of the Ohio Revised Code. Certificates of deposit are valued at cost. The investment in STAR Ohio (State of Ohio Treasurer's Investment Pool) is valued at amounts reported by the State Treasurer. Interest earned is recognized and recorded when received.

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:

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.

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.

Sewer Operating, Maintenance and Repair Fund - This fund receives user fees for the maintenance of sanitary sewer lines within the City.

**CITY OF OLMSTED FALLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Debt Service Funds

These funds are used to accumulate resources for the payment of bond and note indebtedness. The City has the following significant Debt Service Funds:

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.

Capital Projects 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 Projects Funds:

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

Project 2 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.

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 other courts.

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

**CITY OF OLMSTED FALLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Unencumbered appropriations are carried over to the subsequent year and need not be reappropriated.

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 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the City.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

**CITY OF OLMSTED FALLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>2000</u>	<u>1999</u>
Deposits:		
Demand deposits	\$ 207,276	\$ 319,100
Certificates of deposit	<u>4,121,450</u>	<u>3,093,778</u>
Total deposits	4,328,726	3,412,878
Investments:		
STAR Ohio	<u>3,259,470</u>	<u>3,063,162</u>
Total deposits and investments	<u><u>\$ 7,588,196</u></u>	<u><u>\$ 6,476,040</u></u>

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 years ending December 31, 2000 and 1999 are as follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,800,740	\$ 3,822,501	\$ 21,761
Special Revenue	1,530,447	1,491,172	(39,275)
Debt Service	299,332	428,987	129,655
Capital Projects	5,428,600	5,424,756	(3,844)
Fiduciary	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$ 11,059,119</u></u>	<u><u>\$ 11,167,416</u></u>	<u><u>\$ 108,297</u></u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,066,075	\$ 4,725,732	\$ 340,343
Special Revenue	2,405,646	2,006,808	398,838
Debt Service	506,000	273,605	232,395
Capital Projects	6,154,460	5,767,681	386,779
Fiduciary	<u>75,000</u>	<u>0</u>	<u>75,000</u>
Total	<u><u>\$ 14,207,181</u></u>	<u><u>\$ 12,773,826</u></u>	<u><u>\$ 1,433,355</u></u>

**CITY OF OLMSTED FALLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,549,200	\$ 3,587,698	\$ 38,498
Special Revenue	1,716,510	1,713,468	(3,042)
Debt Service	1,098,347	1,095,319	(3,028)
Capital Projects	1,338,186	1,338,830	644
Fiduciary	12,000	12,000	0
Total	<u>\$ 7,714,243</u>	<u>\$ 7,747,315</u>	<u>\$ 33,072</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,479,313	\$ 4,063,826	\$ 415,487
Special Revenue	2,479,741	2,081,687	398,054
Debt Service	947,000	867,404	79,596
Capital Projects	2,130,349	1,936,157	194,192
Fiduciary	70,000	0	70,000
Total	<u>\$ 10,106,403</u>	<u>\$ 8,949,074</u>	<u>\$ 1,157,329</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 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 to 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.

**CITY OF OLMSTED FALLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$ 3,697,350	4.35% to 7.51%
Ohio Water and Sewer Rotary Commission	433,15	0
General Obligation Notes	2,875,000	4.70
Capital Leases	324,148	5.60
Total	\$ 7,329,656	

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer line expansion project to extend lines to the regional sewer district 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 of including interest, over 20 years. 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 remodeling, renovating and otherwise improving City Buildings which house administrative offices and other municipal functions.

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

Year ending December 31:	OWDA Loans	General Obligation Notes
2001	\$ 357,290	\$ 3,010,125
2002	357,310	0
2003	357,309	0
2004	357,310	0
2005	357,309	0
Subsequent	3,648,728	0
Total	\$ 5,435,256	\$ 3,010,125

6. LEASING ARRANGEMENTS

On August 23, 2000, the City entered into a master capital lease-purchase agreement to acquire various new equipment for the fire and police departments. Assets acquired under the master capital lease agreement totaled \$132,050 at December 31, 2000. The remaining \$201,243 of assets under the lease will be acquired in fiscal year 2001. The following is a schedule of future minimum rental payments required under the above capital leases as of December 31, 2000:

**CITY OF OLMSTED FALLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. LEASING ARRANGEMENTS (Continued)

<u>Year ending December 31:</u>	<u>Capital Leases</u>
2001	\$ 75,183
2002	77,122
2003	77,122
2004	77,122
2005	63,658
2006	<u>1,940</u>
Total	372,147
Less: Interest	<u>47,999</u>
Present Value of Minimum Lease Payments	<u><u>\$ 324,148</u></u>

7. RETIREMENT SYSTEMS

The City's law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Fund (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF 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 2000 and 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The City contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The City contributed an amount equal to 10.84% and 13.55% of participants' gross salaries for 2000 and 1999, respectively. The City has paid all contributions required through December 31, 2000.

8. RISK MANAGEMENT

The City has obtained commercial insurance for the following risks:

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

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

9. CITY (LOCAL) INCOME TAX

The City levies a municipal income tax of 1.5% on all gross salaries, wages, commissions and other personal service compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 50% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

**CITY OF OLMSTED FALLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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.

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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 44138-0897

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 years ended December 31, 2000 and 1999, and have issued our report thereon dated June 12, 2001 in which we noted the City prepares its financial statements on a comprehensive basis of accounting other than generally accepted accounting principles, contrary to Ohio Admin. Code section 117-6-01. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2000-20818-001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered 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 June 12, 2001.

City of Olmsted Falls
Cuyahoga County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

**CITY OF OLMSTED FALLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-20818-001

Noncompliance Citation

Ohio Admin. Code Section 117-6-01 requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than 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
 FISCAL YEARS ENDED DECEMBER 31, 2000-1999**

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
1998-20818-001	The City did not prepare its annual financial report in accordance with generally accepted accounting principles which is required under Ohio Admin. Code Section 117-6-01	No	Not corrected.



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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
JULY 17, 2001**