

**CITY OF MACEDONIA, OHIO**

**AUDIT REPORT**

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





**Auditor of State  
Betty Montgomery**

Mayor and Members of City Council  
City of Macedonia

We have reviewed the Independent Auditor's Report of the City of Macedonia, Summit County, prepared by James G. Zupka, CPA for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

June 25, 2003

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CITY OF MACEDONIA, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2001

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

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

**INDEPENDENT ACCOUNTANT'S REPORT**

We have audited the accompanying general purpose financial statements of the City of Macedonia, Ohio, as of and for the year ended December 31, 2001, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

As described in Note 2, during the year ended December 31, 2001, the City adopted Governmental Accounting Standards Board Statements 33 and 36.

In accordance with Government Auditing Standards we have also issued a report dated May 16, 2003 on our consideration of the City of Macedonia, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

May 16, 2003

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James G. Zupka  
Certified Public Accountant

CITY OF MACEDONIA, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2001

	<u>Governmental Fund Types</u>				<u>Proprietary</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fund Types</u> <u>Enterprise</u>
<b><u>Assets and Other Debits</u></b>					
Equity in Pooled Cash and Cash Equivalents and Investments	\$ 388,365	\$ 602,569	\$ 1,445	\$ 861,119	\$ 12,087
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	0
Receivables:					
Taxes	2,563,990	426,525	0	389,299	0
Accounts	58,373	24,889	0	0	0
Special Assessment	0	0	1,994,444	0	0
Due from Governments	288,338	167,166	0	0	0
Due from Funds	168,944	90,100	0	35,505	0
Inventory	10,431	79,250	0	0	0
Prepaid Items	29,300	1,780	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0	0
Other Debits:					
Amount to be Provided from General Government Resources	0	0	0	0	0
Amount to be Provided from Special Assessments	0	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$3,507,741</b>	<b>\$1,392,279</b>	<b>\$1,995,889</b>	<b>\$1,285,923</b>	<b>\$ 12,087</b>

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



CITY OF MACEDONIA, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2001  
 (CONTINUED)

	Fiduciary	<u>Account Groups</u>		Totals (Memorandum Only)
	<u>Fund Types</u>	General	General	
	<u>Trust and</u>	Fixed Assets	Long-Term	
	<u>Agency</u>		Obligations	
<b><u>Assets and Other Debits</u></b>				
Equity in Pooled Cash and Cash Equivalents and Investments	\$ 368,019	\$ 0	\$ 0	\$ 2,233,604
Cash and Cash Equivalents in Segregated Accounts	37,701	0	0	37,701
Receivables:				
Taxes	0	0	0	3,379,814
Accounts	0	0	0	83,262
Special Assessment	0	0	0	1,994,444
Due from Governments	0	0	0	455,504
Due from Funds	0	0	0	294,549
Inventory	0	0	0	89,681
Prepaid Items	0	0	0	31,080
Fixed Assets (Net of Accumulated Depreciation)	0	19,534,483	0	19,534,483
Other Debits:				
Amount to be Provided from General Government Resources	0	0	11,260,524	11,260,524
Amount to be Provided from Special Assessments	0	0	1,006,700	1,006,700
	<u>0</u>	<u>0</u>	<u>1,006,700</u>	<u>1,006,700</u>
 Total Assets and Other Debits	 \$ 405,720	 \$19,534,483	 \$12,267,224	 \$40,401,346
	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>1,006,700</u></u>	<u><u>1,006,700</u></u>

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

CITY OF MACEDONIA, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2001  
 (CONTINUED)

<b>Liabilities, Fund Equity, and Other Credits</b>	<b>Governmental Fund Types</b>				<b>Proprietary</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Fund Types Enterprise</b>
Liabilities:					
Accounts Payable	\$ 107,639	\$ 34,320	\$ 0	\$ 90,995	\$ 0
Contracts Payable	0	0	0	293,746	0
Retainage Payable	0	0	0	71,263	0
Claims Payable	119,272	0	0	0	0
Accrued Wages and Benefits	96,851	20,365	0	0	0
Funds Held on Deposit	0	0	0	0	0
Due to Other Governments	203,703	35,621	0	0	0
Due to Other Funds	85,000	130,317	38,627	40,605	0
Deferred Revenue	2,191,934	428,418	1,994,444	183,320	0
Bond Anticipation Notes Payable	0	0	0	2,500,000	0
General Obligation Bonds Payable	0	0	0	0	0
Special Assessment Commitment Bonds Payable	0	0	0	0	0
Compensated Absences Payable	74,968	9,384	0	0	0
<b>Total Liabilities</b>	<b>2,879,367</b>	<b>658,425</b>	<b>2,033,071</b>	<b>3,179,929</b>	<b>0</b>
Fund Equity and Other Credits:					
Investment in General Fixed Assets	0	0	0	0	0
Retained Earnings					
Unreserved	0	0	0	0	12,087
Fund Balances:					
Reserved for Inventory	10,431	79,250	0	0	0
Reserved for Prepaid Items	29,300	1,780	0	0	0
Reserved for Encumbrances	8,282	12,055	0	392,443	0
Reserved for Debt Service	0	0	(37,182)	0	0
Unreserved:					
Undesignated	580,361	640,769	0	(2,286,449)	0
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>628,374</b>	<b>733,854</b>	<b>(37,182)</b>	<b>(1,894,006)</b>	<b>12,087</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 3,507,741</b>	<b>\$ 1,392,279</b>	<b>\$ 1,995,889</b>	<b>\$ 1,285,923</b>	<b>\$ 12,087</b>

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

CITY OF MACEDONIA, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2001  
 (CONTINUED)

<b><u>Liabilities, Fund Equity, and Other Credits</u></b>	Fiduciary	<u>Account Groups</u>		Totals (Memorandum Only)
	<u>Fund Types</u>	General	General	
	<u>Trust and Agency</u>	<u>Fixed Assets</u>	<u>Long-Term Obligations</u>	
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 232,954
Contracts Payable	0	0	0	293,746
Retainage Payable	0	0	0	71,263
Claims Payable	0	0	0	119,272
Accrued Wages and Benefits	0	0	0	117,216
Funds Held on Deposit	302,691	0	0	302,691
Due to Governments	0	0	0	239,324
Due to Other Funds	0	0	0	294,549
Deferred Revenue	0	0	0	4,798,116
Bond Anticipation Notes Payable	0	0	0	2,500,000
General Obligation Bonds Payable	0	0	10,926,112	10,926,112
Special Assessment Commitment				
Bonds Payable	0	0	1,006,700	1,006,700
Compensated Absences Payable	0	0	334,412	418,764
<b>Total Liabilities</b>	302,691	0	12,267,224	21,320,707
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	19,534,483	0	19,534,483
Retained Earnings:				
Unreserved	0	0	0	12,087
Fund Balances				
Reserved for Inventory	0	0	0	89,681
Reserved for Prepaid Items	0	0	0	31,080
Reserved for Encumbrances	0	0	0	412,780
Reserved for Debt Service	0	0	0	(37,182)
Unreserved:				
Undesignated	103,029	0	0	(962,290)
<b>Total Fund Equity (Deficit) and Other Credits</b>	103,029	19,534,483	0	19,080,639
<b>Total Liabilities, Fund Equity, and Other Credits</b>	\$ 405,720	\$ 19,534,483	\$12,267,224	\$ 40,401,346

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

CITY OF MACEDONIA, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES AND  
 EXPENDABLE TRUST FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types				Expendable Trust	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
<b>Revenues</b>						
Local Income Taxes	\$ 4,011,825	\$ 868,384	\$ 0	\$ 1,486,920	\$ 0	\$ 6,367,129
Property Taxes	1,425,295	193,885	0	0	0	1,619,180
Other Taxes	61,173	110	0	0	0	61,283
Intergovernmental Revenue	691,149	422,301	0	360,074	0	1,473,524
Special Assessments	0	0	346,708	64,406	0	411,114
Charges for Services	252,325	508,133	0	0	0	760,458
Fines, Licenses, and Permits	390,143	117,481	0	0	0	507,624
Interest Income	42,171	25,434	26,636	25,219	0	119,460
Miscellaneous	71,076	256,892	36,676	6,632	30	371,306
<b>Total Revenues</b>	<b>6,945,157</b>	<b>2,392,620</b>	<b>410,020</b>	<b>1,943,251</b>	<b>30</b>	<b>11,691,078</b>
<b>Expenditures</b>						
<b>Current</b>						
Security of Persons and Property	3,522,913	194,956	0	119,571	0	3,837,440
Public Health Services	235,869	0	0	0	0	235,869
Leisure Time Activities	7,779	1,316,752	0	99,838	0	1,424,369
Community Development	406,274	0	0	8,271	0	414,545
Basic Utilities	587,868	23,906	0	8,210	0	619,984
Transportation	242,123	352,503	0	1,427,164	0	2,021,790
General Government	2,161,706	41,389	0	117,603	0	2,320,698
<b>Debt Service</b>						
Principal Retirement	0	0	626,419	0	0	626,419
Interest and Fiscal Charges	0	0	935,213	98,730	0	1,033,943
<b>Total Expenditures</b>	<b>7,164,532</b>	<b>1,929,506</b>	<b>1,561,632</b>	<b>1,879,387</b>	<b>0</b>	<b>12,535,057</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(219,375)	463,114	(1,151,612)	63,864	30	(843,979)
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Bonds	0	0	8,355,000	0	0	8,355,000
Transfers In	0	332,800	1,833,389	1,029,055	15,000	3,210,244
Transfers Out	(487,800)	(694,453)	(768,730)	(1,259,261)	0	(3,210,244)
Payment for Bond Anticipation Notes	0	0	(6,340,000)	0	0	(6,340,000)
Payment for Refunded Debt	0	0	(1,896,000)	0	(30)	(1,896,030)
<b>Total Other Financing Sources (Uses)</b>	<b>(487,800)</b>	<b>(361,653)</b>	<b>1,183,659</b>	<b>(230,206)</b>	<b>14,970</b>	<b>118,970</b>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(707,175)	101,461	32,047	(166,342)	15,000	(725,009)
Fund Balance, as Restated	1,337,100	592,979	(69,229)	(1,727,664)	88,029	221,215
Increase (Decrease) In Reserve for Inventory	(1,551)	39,414	0	0	0	37,863
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$ 628,374</b>	<b>\$ 733,854</b>	<b>\$ (37,182)</b>	<b>\$ (1,894,006)</b>	<b>\$ 103,029</b>	<b>\$ (465,931)</b>

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

CITY OF MACEDONIA, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) -  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Local Income Taxes	\$ 4,582,325	\$ 3,871,672	\$ (710,653)	\$ 873,850	\$ 752,013	\$ (121,837)
Property Taxes	1,444,775	1,425,295	(19,480)	198,423	195,673	(2,750)
Other Taxes	87,541	61,173	(26,368)	0	110	110
Intergovernmental Revenues	574,243	693,932	119,689	644,128	438,525	(205,603)
Special Assessments	0	0	0	0	0	0
Charges for Services	232,807	230,584	(2,223)	443,926	507,662	63,736
Fines, Licenses, and Permits	319,279	381,949	62,670	108,600	117,522	8,922
Interest Income	73,470	62,418	(11,052)	30,000	25,434	(4,566)
Miscellaneous	42,394	129,477	87,083	231,855	257,110	25,255
<b>Total Revenues</b>	<b>7,356,834</b>	<b>6,856,500</b>	<b>(500,334)</b>	<b>2,530,782</b>	<b>2,294,049</b>	<b>(236,733)</b>
<b>Expenditures</b>						
Security of Persons and Property	3,387,550	3,358,643	28,907	237,423	220,959	16,464
Public Health & Welfare	236,000	235,869	131	0	0	0
Leisure Time Activities	8,050	7,705	345	1,377,250	1,335,040	42,210
Community Development	391,500	387,109	4,391	5,900	0	5,900
Basic Utilities	624,850	589,822	35,028	200,083	20,813	179,270
Transportation	289,150	259,499	29,651	613,918	400,705	213,213
General Government	2,202,855	2,176,926	25,929	65,270	48,587	16,683
Debt Service						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>7,139,955</b>	<b>7,015,573</b>	<b>124,382</b>	<b>2,499,844</b>	<b>2,026,104</b>	<b>473,740</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	216,879	(159,073)	(375,952)	30,938	267,945	237,007
<b>Other Financing Sources (Uses)</b>						
Proceeds of Sale of Notes	0	0	0	0	0	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Transfers In	0	0	0	367,900	332,800	(35,100)
Transfers Out	(487,800)	(487,800)	0	(694,658)	(694,453)	205
Advances In	0	85,000	85,000	0	0	0
Advances Out	0	0	0	(85,000)	(85,000)	0
Other Uses						
Payment for Bond Anticipation Notes	0	0	0	0	0	0
Payment for Refunded Debt, Escrow	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(487,800)</b>	<b>(402,800)</b>	<b>85,000</b>	<b>(411,758)</b>	<b>(446,653)</b>	<b>(34,895)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	(270,921)	(561,873)	(290,952)	(380,820)	(178,708)	202,112
Fund Balances at Beginning of Year	914,577	914,577	0	737,410	737,410	0
Prior Year Encumbrances Appropriated	23,111	23,111	0	3,668	3,668	0
<b>Fund Balances at End of Year</b>	<b>\$ 666,767</b>	<b>\$ 375,815</b>	<b>\$ (290,952)</b>	<b>\$ 360,258</b>	<b>\$ 562,370</b>	<b>\$ 202,112</b>

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

CITY OF MACEDONIA, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) -  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Local Income Tax	\$ 0	\$ 0	\$ 0	\$ 2,212,426	\$ 1,492,168	\$ (720,258)
Property Tax	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0
Intergovernmental Revenues	0	0	0	0	413,334	413,334
Special Assessments	159,973	346,708	186,735	0	64,406	64,406
Charges for Services	0	0	0	0	0	0
Fines, Licenses, and Permits	0	0	0	0	0	0
Interest Income	25,248	26,636	1,388	10,213	29,091	18,878
Miscellaneous	0	36,676	36,676	62,781	214,045	151,264
<b>Total Revenues</b>	<b>185,221</b>	<b>410,020</b>	<b>224,799</b>	<b>2,285,420</b>	<b>2,213,044</b>	<b>(72,376)</b>
<b>Expenditures</b>						
Security of Persons and Property	0	0	0	189,455	119,571	69,884
Public Health & Welfare	0	0	0	0	0	0
Leisure Time Activities	0	0	0	149,555	90,534	59,021
Community Environment	0	0	0	12,326	8,271	4,055
Basic Utilities	0	0	0	45,700	8,210	37,490
Transportation	0	0	0	2,182,579	1,791,039	391,540
General Government	0	0	0	193,832	146,007	47,825
Debt Service:						
Principal Retirement	626,419	626,419	0	0	0	0
Interest and Fiscal Charges	1,046,440	1,033,943	12,497	0	0	0
<b>Total Expenditures</b>	<b>1,672,859</b>	<b>1,660,362</b>	<b>12,497</b>	<b>2,773,447</b>	<b>2,163,632</b>	<b>609,815</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,487,638)	(1,250,342)	237,296	(488,027)	49,412	537,439
<b>Other Financing Sources (Uses)</b>						
Proceeds of Sale of Notes	1,421,829	1,500,000	78,171	1,500,000	1,000,000	(500,000)
Proceeds from Sale of Bonds	7,954,350	8,355,000	400,650	0	0	0
Transfers In	2,809,158	1,833,389	(975,769)	170,500	260,325	89,825
Transfers Out	0	0	0	(1,369,604)	(1,259,261)	110,343
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0
Payment of Bond Anticipation Notes	(8,510,000)	(8,510,000)	0	0	0	0
Payment for Refunded Debt	(1,896,000)	(1,896,000)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,779,337</b>	<b>1,282,389</b>	<b>(496,948)</b>	<b>300,896</b>	<b>1,064</b>	<b>(299,832)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	291,699	32,047	(259,652)	(187,131)	50,476	237,607
Fund Balances at Beginning of Year	(69,229)	(69,229)	0	198,454	198,454	0
Prior Year Encumbrances Appropriated	0	0	0	194,529	194,529	0
<b>Fund Balances at End of Year</b>	<b>\$ 222,470</b>	<b>\$ (37,182)</b>	<b>\$ (259,652)</b>	<b>\$ 205,852</b>	<b>\$ 443,459</b>	<b>\$ 237,607</b>

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

CITY OF MACEDONIA, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) -  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Expendable Trust			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Local Income Tax	\$ 0	\$ 0	\$ 0	\$ 7,668,601	\$ 6,115,853	\$(1,552,748)
Property Tax	0	0	0	1,643,198	1,620,968	(22,230)
Other Taxes	0	0	0	87,541	61,283	(26,258)
Intergovernmental Revenue	0	0	0	1,218,371	1,545,791	327,420
Special Assessments	0	0	0	159,973	411,114	251,141
Charges for Services	0	0	0	676,733	738,246	61,513
Fines, Licenses, and Permits	0	0	0	427,879	499,471	71,592
Interest Income	0	0	0	138,931	143,579	4,648
Miscellaneous	0	30	30	337,030	637,338	300,308
<b>Total Revenues</b>	<b>0</b>	<b>30</b>	<b>30</b>	<b>12,358,257</b>	<b>11,773,643</b>	<b>(584,614)</b>
<b>Expenditures</b>						
Security of Persons and Property	0	0	0	3,814,428	3,699,173	115,255
Public Health & Welfare	0	0	0	236,000	235,869	131
Leisure Time Activities	0	0	0	1,534,855	1,433,279	101,576
Community Development	0	0	0	409,726	395,380	14,346
Basic Utilities	0	0	0	870,633	618,845	251,788
Transportation	0	0	0	3,085,647	2,451,243	634,404
General Government	0	0	0	2,461,957	2,371,520	90,437
Debt Service						
Principal Retirement	0	0	0	626,419	626,419	0
Interest and Fiscal Charges	0	0	0	1,046,440	1,033,943	12,497
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,086,105</b>	<b>12,865,671</b>	<b>1,220,434</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	30	30	(1,727,848)	(1,092,028)	635,820
<b>Other Financing Sources (Uses)</b>						
Proceeds of Sale of Notes	0	0	0	2,921,829	2,500,000	(421,829)
Proceeds of Sales of Bonds	0	0	0	7,954,350	8,355,000	400,650
Transfers In	15,600	15,000	(600)	3,363,158	2,441,514	(921,644)
Transfers Out	(101,000)	0	101,000	(2,653,062)	(2,441,514)	211,548
Advances In	0	0	0	0	85,000	85,000
Advances Out	0	0	0	(85,000)	(85,000)	0
Other Uses	(2,000)	(30)	1,970	(2,000)	(30)	1,970
Payment for Bond Anticipation Notes	0	0	0	(8,510,000)	(8,510,000)	0
Payment for Refunded Debt,	0	0	0	(1,896,000)	(1,896,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(87,400)</b>	<b>14,970</b>	<b>102,370</b>	<b>1,093,275</b>	<b>448,970</b>	<b>(644,305)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	(87,400)	15,000	102,400	(634,573)	(643,058)	(8,485)
Fund Balances at Beginning of Year	88,029	88,029	0	1,869,241	1,869,241	0
Prior Year Encumbrances Appropriated	0	0	0	221,308	221,308	0
<b>Fund Balances at End of Year</b>	<b>\$ 629</b>	<b>\$ 103,029</b>	<b>\$ 102,400</b>	<b>\$ 1,455,976</b>	<b>\$ 1,447,491</b>	<b>\$ (8,485)</b>

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

CITY OF MACEDONIA, OHIO  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS - ENTERPRISE FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001

<b><u>Operating Revenues</u></b>	
Miscellaneous	\$ 15,796
Total Operating Revenues	15,796
 <b><u>Operating Expenses</u></b>	
Miscellaneous	26,281
Total Operating Expenses	26,281
Operating Loss	(10,485)
Decrease in Retained Earnings	(10,485)
Retained Earnings at Beginning of Year	22,572
Retained Earnings at End of Year	\$ 12,087

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



CITY OF MACEDONIA, OHIO  
STATEMENT OF CASH FLOW - ENTERPRISE FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001

**Cash Flows from Operating Activities**

Cash Received from Users	\$ 15,796
Cash Payments to Suppliers for Goods and Services	(26,281)
	(10,485)

Net Decrease in Cash and Cash Equivalents	(10,485)
Cash and Cash Equivalents - 1/1/01	22,572
	\$ 12,087
	=====

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

**Cash Flows from Operating Activities**

Operating Loss	\$ (10,485)
	\$ (10,485)
	=====

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

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001

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

A. **Description of the Entity**

**The City**

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

**Reporting Entity**

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2001, and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

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

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

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

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

**Reporting Entity** (Continued)

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

B. **Basis of Presentation**

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

The financial transactions of the City are recorded in individual funds and account groups. The various funds and account groups are reported by type in the general purpose financial statements. Amounts in the "Total-Memorandum Only" columns in the general purpose financial statements represent a summation of the combined groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different basis of accounting, both restricted and unrestricted amounts, interfund transactions that have not been eliminated and the caption "Amounts to be Provided", which does not represent an asset. Consequently, amounts shown in the "Total-Memorandum Only" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the City. The City uses the following fund categories, fund types, and account groups:

**Governmental Funds**

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

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

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

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

**Governmental Funds** (Continued)

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

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

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

**Proprietary Funds**

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

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

**Fiduciary Funds**

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

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

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

**Fiduciary Funds**

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

**Account Groups**

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

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

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

C. **Basis of Accounting**

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

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

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

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

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

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

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

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

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

D. **Budgetary Accounting**

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

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

The City's budgetary process is as follows:

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

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

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

D. **Budgetary Accounting** (Continued)

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

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

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

*Lapsing of Appropriations* - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. At the close of each fiscal year, the encumbered appropriation balances lapse and are reencumbered and reappropriated to the subsequent fiscal year.

*Budgetary Basis of Accounting*

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

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



CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

D. **Budgetary Accounting** (Continued)

*Budgetary Basis of Accounting* (Continued)

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

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

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust
GAAP Basis	\$ (707,175)	\$ 101,461	\$ 32,047	\$ (166,342)	\$ 15,000
Increase (Decrease)					
Due to:					
Revenue Accruals	(3,657)	(98,571)	0	269,793	0
Expenditure					
Accruals	200,137	(141,399)	0	34,685	0
Transfers Out (In)	0	0	768,730	(768,730)	0
Interest Paid -					
Bond Anticipation Notes	0	0	(98,730)	98,730	0
Proceeds from Notes	0	0	1,500,000	1,000,000	0
Principal Retirement	0	0	(2,170,000)	0	0
Net Impact of Encumbrances on Budget Basis					
Expenditures	(51,178)	(40,199)	0	(417,660)	0
Budgetary Basis	\$ (561,873)	\$ (178,708)	\$ 32,047	\$ 50,476	\$ 15,000

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

E. **Cash and Investments**

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

During 2001, the portfolio of the City was limited to the State Treasury Asset Reserve of Ohio (STAROhio). 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, 2001.

The City's policy is to hold investments until maturity or until market values equal or exceeds cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, special revenue fund, debt service fund, and capital projects fund during fiscal year 2001 amounted to \$42,171, \$25,434, \$26,636 and \$25,219.

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

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

E. **Cash and Investments** (Continued)

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

F. **Fixed Assets**

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

Fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and capitalized in the general fixed assets account group. Property and equipment acquired by proprietary funds are reported in the acquiring funds. The City's policy is to capitalize expense (including interest, if applicable) on proprietary funds' construction projects until substantially completed and net investment earnings against construction costs, where appropriate. There were no fixed assets in proprietary funds as of December 31, 2001.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost in the general fixed asset account group.

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

**G. Depreciation**

No depreciation is provided on general fixed assets. Depreciation, including amortization of amounts for capitalized leases, is charged to operations of Enterprise Funds. Since there were no fixed assets in proprietary funds or capital leases in 2001, no depreciation expense was charged.

**H. Encumbrances**

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

**I. Grants and Other Intergovernmental Revenues**

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

**J. Interfund Transactions**

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

**K. Inventories**

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

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

L. **Compensated Absences**

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

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

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

M. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items are equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

N. **Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

N. **Long-Term Obligations** (Continued)

to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

O. **Reservations of Fund Balance**

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

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

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

CITY OF MACEDONIA, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 DECEMBER 31, 2001  
 (CONTINUED)

NOTE 2: **ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Deficits**

The following funds had deficit fund balances at December 31, 2001:

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
CDBG Grant	\$ 24,831
Fire Operating Levy	5,093
Capital Projects:	
Road Resurface 2000	713,492
Fire Apparatus Acquisition	300,000
Highland Road Phase I & II	1,047,482
Road Resurface 97-98	400,000
Debt Service:	
Special Assessments Bond Retirement	38,627

The fund deficits in the special revenue and debt service funds result from the recognition of expenditures on the modified accrual basis of accounting that are greater than expenditures recognized on the budgetary basis.

The fund deficits in the capital projects funds are the result of recording notes payable in the individual fund balance sheets and from the recognition of contracts and retainage payables on the modified accrual basis of accounting that are not recognized on the budgetary basis. The general fund provides operating transfers when cash is required, not when accruals occur.

**B. Change in Accounting Principle and Restatement of Prior Year Fund Balances**

For December 31, 2001, the City has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. GASB Statement No. 36 modified the provisions of GASB Statement No. 33 for certain specific nonexchange revenues.

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

**B. Change in Accounting Principle and Restatement of Prior Year Fund Balances**  
(Continued)

GASB Statement No. 33 and GASB Statement No. 36 were required for the current year. These statements clarified the timing requirements of recognizing assets, liabilities, revenues, and expenditures/expenses associated with nonexchange transactions. As a result of implementation of the statements, a restate of prior year fund balance is necessary as described below.

In addition, fund balance was restated due to accounting errors as noted below:

- a. The beginning fund balance of the general fund was also increased due to incorrect posting of Due from Other Fund, Debt Service Fund, for \$93,657. The beginning balance for debt service fund was decreased for the same amount accordingly.
- b. In 2001, an increase/decrease of \$474,033 was made to the beginning balances of the special revenue fund and capital project fund respectively to record the daily operating activity of the Natatorium Recreation Center in the special revenue fund instead of capital project fund.
- c. A short-term notes payable of \$115,000 issued in 2000 was to be refunded by issuance of long-term debt in 2001. Therefore, the short-term notes should be recorded in General Long-Term Debt Account Group, rather than the respective funds. As a result, the beginning fund balance of the capital project was increased by \$115,000.

Due to the implementation of GASB Statement No. 33 and accounting errors stated above, prior year fund balances were restated for following funds:



CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

**B. Change in Accounting Principle and Restatement of Prior Year Fund Balances**  
(Continued)

**General Fund**

	<u>Amount</u>
Fund Balance as of December 31, 2000	\$ 1,152,990
Local Government Support (GASB 33)	90,453
Due From Other Fund	93,657
	1,337,100

**Special Revenue Fund**

Fund Balance as of December 31, 2000	77,411
Highway Distribution (GASB 33)	8,996
Gasoline Tax (GASB 33)	32,539
Natatorium Project/Family Recreation Center	474,033
	592,979

**Capital Project Fund**

Fund Balance as of December 31, 2000	(1,368,631)
Natatorium Project/Family Recreation Center	(474,033)
Notes Payable	115,000
	(1,727,664)

**Debt Service Fund**

Fund Balance as of December 31, 2000	24,428
Due to Other Fund	(93,657)
	(69,229)

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

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

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
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NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

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

Inactive funds are public deposits that the City has identified as not required for use within the current five 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 a security for repayment, by surety company bonds deposited with the treasurer of the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

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

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

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

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

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

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

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110 percent of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any other state, county, or municipal corporation or instrumentality of such county, municipal corporations or other authority. Based upon criteria described in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, collateral held in single financial collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

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

The GASB has established risk categories for deposits and investments as follows:

**Deposits**

- Category 1* - Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2* - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3* - Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in the City's name).

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

**Investments**

*Category 1* - Insured or registered, with securities held by the City or its agent in the City's name.

*Category 2* - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

*Category 3* - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. **Deposits**

At year end, the carrying amount of the City's deposits was \$185,813 and the bank balance was \$709,678. \$139,914 of the bank balance was covered by federal depository insurance and \$569,764 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the City's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

B. **Investments**

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

CITY OF MACEDONIA, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 DECEMBER 31, 2001  
 (CONTINUED)

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

B. **Investments** (Continued)

Investments as of December 31, 2001 are summarized below.

Category (Non Category)	STAROhio	Cost	Fair Value
		\$2,085,492	\$2,085,492
		\$2,085,492	\$2,085,492

All of the investments are carried at cost or amortized cost.

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

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

	Cash & Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$2,271,305	\$ 0
Investments:		
STAROhio	(2,085,492)	2,085,492
GASB Statement No. 3	\$ 185,813	\$2,085,492

Certificate of deposits with an original maturity of three months or less are treated as cash equivalents (as defined by GASB 9).

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

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

NOTE 4: **FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance January 1, 2001	Additions	Deletions	Balance December 31, 2001
Land and Land Improvements	\$ 1,013,464	\$ 0	\$ 0	\$ 1,013,464
Buildings, Structures, and Improvements	14,633,783	0	0	14,633,783
Machinery and Equipment	1,166,101	79,895	8,000	1,237,996
Vehicles	2,577,140	200,026	127,926	2,649,240
<b>Total</b>	<b>\$19,390,488</b>	<b>\$ 279,921</b>	<b>\$135,926</b>	<b>\$19,534,483</b>

NOTE 5: **INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at December 31, 2001 consist of the following:

<u>Fund</u>	Interfund Receivable	Interfund Payables
General Fund	\$ 168,944	\$ 85,000
	168,944	85,000
Special Revenue Funds:		
Admissions Tax	85,000	100,000
CDBG Grant	0	20,317
JEDD	0	10,000
Parks and Recreation	5,100	0
	90,100	130,317
Capital Projects:		
Capital Improvement	29,505	11,100
82 Widening	0	29,505
Brookpointe Storm Water Improvement	6,000	0
	35,505	40,605
Debt Service:		
Special Assessment Bond, Debt Service	0	38,627
	0	38,627
<b>Total</b>	<b>\$ 294,549</b>	<b>\$ 294,549</b>

CITY OF MACEDONIA, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 6: **INTERGOVERNMENTAL RECEIVABLE**

<u>Fund</u>	<u>Amounts</u>
<b><u>General Fund</u></b>	
Homestead & Rollback	\$ 55,570
Local Government Support	194,189
Estate Taxes	26,005
Grants	12,574
Total General Fund	288,338
<b><u>Special Revenue Fund</u></b>	
SCMR	
Gasoline Tax	96,967
Highway Distribution Tax	50,115
	147,082
State Highway	
Gasoline Tax	7,862
Fire Operating Levy	
Homestead & Rollback	3,083
Police Pension	
Homestead & Rollback	4,073
Vehicle License Tax	
Permissive Tax	5,066
Total Special Revenue Funds	167,166
Total All Funds	\$ 455,504

NOTE 7: **DEFINED BENEFIT PENSION PLANS**

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

**A. Ohio Public Employees Retirement System**

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



CITY OF MACEDONIA, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

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

The City of Macedonia contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand alone financial report that includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The 2001 employer contribution rate for local government employer units was 13.55 percent of covered payroll, 9.25 percent to fund the pension and 4.3 percent to fund health care. The 2000 and 1999 employer contribution rates were 10.84 and 13.55 percent. The contribution requirements of plan members and the City are established and may be amended by the Ohio Public Employees Retirement Board. The City's contributions to the OPERS for the years ending December 31, 2001, 2000, and 1999 were \$368,954, \$289,656, and \$285,715, respectively, which were equal to the required contributions for each year. The full amount has been contributed for 2000 and 1999. 77 percent has been contributed for 2001 with the remainder being reported as a liability within the respective funds.

The OPERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the OPERS. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3 percent of covered payroll, which amounted to \$117,085.

CITY OF MACEDONIA, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

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

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8 percent. An annual increase of 4 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4 percent base increase, were assumed to range from 0.50 percent to 6.30 percent. Health care costs were assumed to increase 4 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the OPERS net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

CITY OF MACEDONIA, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

**B. Ohio Police and Fire Pension Fund (the "OP&F" Fund)**

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing, multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2001, 2000 and 1999 were \$210,653, \$185,927, and \$175,920 for police and \$142,729, \$131,725, and \$108,728 for firefighters, respectively, which were equal to the required contributions for each year. The full amount has been contributed for 2000 and 1999. 76 percent for police and 76 percent for firefighters has been contributed in 2001.

The OP&F Fund provides postemployment health care coverage to any person who received 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 on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

CITY OF MACEDONIA, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

B. **Ohio Police and Fire Pension Fund (the "OP&F" Fund)** (Continued)

The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$83,630 representing 7.75 percent of covered payroll for police and \$46,102 representing 7.75 percent of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go-basis. 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. As of December 31, 2001, the number of participants eligible to receive health care benefits was 13,174 for police and 10,239 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2001, were \$122,298,771, which was net of member contributions of \$6,874,699.

NOTE 8: **BOND ANTICIPATION NOTES PAYABLE**

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

The following bond anticipation notes were payable at December 31, 2001:

	Balance January 1, 2001	Issued	Retired	Balance December 31, 2001
Capital Projects Bond Anticipation Notes Payable:				
4.19% Fire Apparatus Notes	\$ 350,000	\$ 0	\$ 350,000	\$ 0
95 Road Resurfacing	220,000	0	220,000	0
97/98 Road Resurfacing	600,000	0	600,000	0
Street Resurfacing 2001	1,000,000	0	1,000,000	0
Street Resurfacing 3.72%	0	1,500,000	0	1,500,000
Highland Rd. Phase III 2.94%	0	1,000,000	0	1,000,000
Total Bond Anticipation Notes Payable	<u>\$ 2,170,000</u>	<u>\$ 2,500,000</u>	<u>\$ 2,170,000</u>	<u>\$ 2,500,000</u>

CITY OF MACEDONIA, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 DECEMBER 31, 2001  
 (CONTINUED)

NOTE 8: **BOND ANTICIPATION NOTES PAYABLE** (Continued)

All outstanding notes at December 31, 2001 were issued for one year or less. These notes were of the bond anticipation type and will be renewed. Proceeds from the notes were used for street improvements and equipment purchases.

NOTE 9: **LONG-TERM OBLIGATIONS**

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

	Balance January 1, 2001	Additions	Retirements	Balance December 31, 2001
<u>General Obligation Bonds</u>				
Macedonia City Center, 2001	\$ 0	\$ 5,155,000	\$ 0	\$ 5,155,000
Recreation Center, 2001	0	3,200,000	0	3,200,000
Recreation Center	2,697,000	0	293,000	2,404,000
Safety Building Center	1,896,000	0	1,896,000	0
City Hall Construction	254,699	0	87,587	167,112
<b>Total General Obligation Bonds</b>	<b>4,847,699</b>	<b>8,355,000</b>	<b>2,276,587</b>	<b>10,926,112</b>
<u>Bond Anticipation Notes</u>				
Macedonia City Center	3,075,000	0	3,075,000	0
Recreation Center	3,150,000	0	3,150,000	0
8489 Park Avenue	115,000	0	115,000	0
<b>Total Bond Anticipation Notes</b>	<b>6,340,000</b>	<b>0</b>	<b>6,340,000</b>	<b>0</b>
<u>Special Assessment Commitment Bonds</u>				
Highland Pointe Parkway	860,000	0	172,000	688,000
Driftwood Lane	130,500	0	63,800	66,700
Highland Road Improvement	262,000	0	10,000	252,000
<b>Total Special Assessment Commitment Bonds</b>	<b>1,252,500</b>	<b>0</b>	<b>245,800</b>	<b>1,006,700</b>

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 9: **LONG-TERM OBLIGATIONS** (Continued)

	Balance January 1, 2001	Additions	Retirements	Balance December 31, 2001
<b><u>Other Obligations</u></b>				
Compensated Absences	338,320	334,412	338,320	334,412
Due to Other Governments	10,104	0	10,104	0
Total Other Obligations	<u>348,424</u>	<u>334,412</u>	<u>348,424</u>	<u>334,412</u>
Total Long-Term Obligations	<u>\$ 12,788,623</u>	<u>\$ 8,689,412</u>	<u>\$ 9,210,811</u>	<u>\$ 12,267,224</u>

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

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

Compensated absences will be paid by the fund from which the employee's salary is paid.

**Defeased Debt**

On April 26, 2001, the City of Macedonia issued general obligation bonds of \$8,355,000 with an interest rate of 4.69% to currently refund and prepay the general obligation bond of \$1,896,000 with an interest rate of 6.05% and retire short-term notes of \$6,340,000 due in 2001. The general obligation bonds were issued at a premium of \$36,676 and after paying issuance costs of \$155,676, the net proceeds were \$8,391,675. The current refunding met the requirements of an in-substance debt defeasance and the defeased general obligation bonds were removed from the City's government-wide financial statements.

As a result of the current refunding, the City increased its total debt service requirements by \$475,156. Which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$55,097.

CITY OF MACEDONIA, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 DECEMBER 31, 2001  
 (CONTINUED)

NOTE 9: **LONG-TERM OBLIGATIONS** (Continued)

**Principal and Interest Requirements**

A summary of the City's future long-term debt requirements, including principal and interest payments as of December 31, 2001 follows:

<u>Years</u>	<u>General Obligation Bonds</u>		<u>Special Assessment Commitment Bonds</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 673,254	\$ 503,145	\$ 249,300	\$ 63,605	\$ 922,554	\$ 566,750
2003	670,858	472,708	183,300	48,627	854,158	521,335
2004	619,000	445,730	184,000	36,742	803,000	482,472
2005	642,000	418,832	184,700	24,811	826,700	443,643
2006	671,000	390,929	13,500	12,837	684,500	403,766
2007-2011	3,530,000	1,484,965	81,500	50,394	3,611,500	1,535,359
2012-2016	4,120,000	623,575	110,400	21,531	4,230,400	645,106
Totals	<u>\$10,926,112</u>	<u>\$ 4,339,884</u>	<u>\$ 1,006,700</u>	<u>\$ 258,547</u>	<u>\$11,932,812</u>	<u>\$ 4,598,431</u>

NOTE 10: **ACCUMULATED UNPAID EMPLOYEE BENEFITS**

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

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

A summary of employee benefit obligations (calculated in accordance with GASB Statement No. 16) at December 31, 2001 is as follows:

Compensated Absences	<u>Government Fund Types</u>
	<u>\$ 334,412</u>
	<u>\$ 334,412</u>

CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 10: **ACCUMULATED UNPAID EMPLOYEE BENEFITS** (Continued)

Government fund type liabilities are recorded in the General Long-Term Debt Account Group. The liability above excludes the amount of \$84,352 which was paid within the available period, which is reflected as a fund liability in the general fund and special revenue funds.

NOTE 11: **INCOME TAXES**

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

Employers within the City are required to withhold income tax on employee compensation and remit this tax to the City at least quarterly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City.

NOTE 12: **PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. The assessed value upon which the 2001 levy was based was approximately \$337 million (per the Summit County Auditor). Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. A reevaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last reevaluation was completed in 1996.

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

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

Tangible personal property taxes are based on assessed value determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. For the collection year 2001, the percentage used to determine taxable value of personal property and inventory was 25 percent. Pertinent tangible personal property tax dates are:



CITY OF MACEDONIA, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 12: **PROPERTY TAXES** (Continued)

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

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

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

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

The full property tax rate for all City operations for the year ended December 31, 2001 was \$13.10 per \$1,000 of assessed value. The assessed value upon which the 2001 tax receipts were based was \$336,803,980. This amount constitutes \$264,845,440 in real property assessed value, \$20,550,360 in public utility assessed value and \$51,408,180 in tangible personal property assessed value.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes which are measurable at December 31, 2001. These taxes are intended to finance the next fiscal year's operations and are therefore offset by a credit to deferred revenue. Property taxes receivable at December 31, 2001 amounted to \$1,590,744 in the general fund, and \$218,492 in the special revenue funds.

NOTE 13: **CONTINGENCIES AND COMMITMENTS**

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

CITY OF MACEDONIA, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 DECEMBER 31, 2001  
 (CONTINUED)

NOTE 13: **CONTINGENCIES AND COMMITMENTS** (Continued)

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 14: **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2001, the City contracted with several companies for various types of insurance as follows:

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

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

CITY OF MACEDONIA, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 DECEMBER 31, 2001  
 (CONTINUED)

NOTE 14: **RISK MANAGEMENT** (Continued)

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

NOTE 15: **SEGMENT INFORMATION FOR ENTERPRISE FUND**

The City maintains one enterprise fund. Financial information for the year ended December 31, 2001 for the enterprise fund is summarized as follows:

	Nordia <u>Fun Fest</u>
Operating Revenues	\$ 15,796
Operating Loss	(10,485)
Net Loss	(10,485)
Total Assets	12,087
Net Working Capital	12,087
Total Equity	12,087

NOTE 16: **FUND BALANCE**

Reservations of fund balances of governmental funds are to satisfy legal covenants that require a portion of the fund balance to be segregated or to identify the portion of the fund balance that is not appropriate for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserved for encumbrances - This reserve represents encumbrances outstanding at the end of the year based upon purchase orders and contracts signed by the City but not completed as of the close of the fiscal year.

Reserved for inventory - This reserve was created to represent the portion of the fund balance that is not available for expenditures because the City expects to use these resources within the next budgetary period.

CITY OF MACEDONIA, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 DECEMBER 31, 2001  
 (CONTINUED)

NOTE 16: **FUND BALANCE** (Continued)

Reserved for prepaid items - This reserve was created to represent the portion of the fund balance that is not available for expenditures because the City expects to use these resources within the next budgetary period.

Reserved for debt service - This reserve was created to segregate a portion of the fund balance that will be used for debt service, including both principal and interest payment.

NOTE 17: **INFRASTRUCTURE COMMITMENTS**

<u>Capital Projects</u>	<u>Original Contract</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Widening and Resurfacing of Highland Road Phase III	\$ 1,781,579	\$ 674,935	December 2002

Of the \$1,106,644 completed, \$278,341 is contracts payable and \$71,263 is retainage payable as of December 31, 2001 and is so stated in the financials.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

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

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

We have audited the general purpose financial statements of the City of Macedonia, Ohio (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated May 16, 2003. 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 of America.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Macedonia, Ohio's general purpose financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance which are required to be reported under Government Auditing Standards. We also noted immaterial instances on noncompliance which we have reported to the management of the City of Macedonia, Ohio in a separate letter dated May 16, 2003.

**Internal Control Over Financial Reporting**

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

normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the City of Macedonia, Ohio in a separate letter dated May 16, 2003.

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

May 16, 2003

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James G. Zupka  
Certified Public Accountant

CITY OF MACEDONIA, OHIO  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2001

The prior audit report, as of December 31, 2000, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.







**Auditor of State  
Betty Montgomery**

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**CITY OF MACEDONIA**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 15, 2003**