



**Auditor of State
Betty Montgomery**

**CITY OF STREETSBORO
PORTAGE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS REPORT

City of Streetsboro
Portage County
9184 State Route 43
Streetsboro, Ohio 44241

To the City Council:

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 25, 2003

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CITY OF STREETSBORO
PORTAGE COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,247,203	\$ 866,959	\$ 600,329	\$ 1,586,278
Receivables:				
Taxes	1,908,007	91,076	396,988	258,790
Accounts	113,803	-	-	51,051
Interfund	7,746	-	-	-
Special assessments	-	-	103,924	-
Due from other governments	297,871	224,804	13,261	-
Materials and supplies inventory	-	18,263	-	-
Loans receivable	-	275,528	-	-
Fixed assets, (net where applicable of accumulated depreciation)	-	-	-	-
Other debits:				
Amount available in debt service fund for retirement of general obligation bonds	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
Amount to be provided from special assessments	-	-	-	-
Total assets and other debits	\$ 3,574,630	\$ 1,476,630	\$ 1,114,502	\$ 1,896,119
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 110,742	\$ 43,169	\$ -	\$ 233,839
Interfund payable	-	-	7,746	-
Accrued wages and benefits	89,750	6,163	-	-
Compensated absences payable	5,272	137	-	-
Due to other governments	238,219	69,052	-	-
Deferred revenue	1,560,173	237,019	461,628	197,985
Deposits held and due to others	-	-	-	-
Accrued interest payable	-	-	-	-
Bond anticipation notes	-	-	-	425,000
Capital leases payable	-	-	-	-
OPWC loan payable	-	-	-	-
OWDA loan payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Special assessment debt with governmental commitment	-	-	-	-
Total liabilities	2,004,156	355,540	469,374	856,824
Fund equity and other credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	68,251	75,577	-	107,615
Reserved for inventory	-	18,263	-	-
Reserved for debt service	-	-	645,128	-
Reserved for loans receivable	-	275,528	-	-
Unreserved, undesignated	1,502,223	751,722	-	931,680
Total fund equity and other credits	1,570,474	1,121,090	645,128	1,039,295
Total liabilities, fund equity and other credits	\$ 3,574,630	\$ 1,476,630	\$ 1,114,502	\$ 1,896,119

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-term Obligations	
Enterprise	Trust and Agency			
\$ 1,056,019	\$ 22,159	\$ -	\$ -	\$ 5,378,947
-	-	-	-	2,654,861
212,474	-	-	-	377,328
-	-	-	-	7,746
202,465	-	-	-	306,389
-	-	-	-	535,936
-	-	-	-	18,263
-	-	-	-	275,528
4,119,929	-	9,440,110	-	13,560,039
-	-	-	645,128	645,128
-	-	-	5,143,126	5,143,126
-	-	-	106,000	106,000
\$ 5,590,887	\$ 22,159	\$ 9,440,110	\$ 5,894,254	\$ 29,009,291
\$ 7,864	\$ 11,790	\$ -	\$ -	407,404
-	-	-	-	7,746
3,070	-	-	-	98,983
5,326	-	-	226,784	237,519
59,940	-	-	-	367,211
-	-	-	-	2,456,805
-	9,960	-	-	9,960
11,762	-	-	-	11,762
-	-	-	-	425,000
-	-	-	696,470	696,470
122,703	-	-	100,000	222,703
268,712	-	-	-	268,712
-	-	-	4,765,000	4,765,000
-	-	-	106,000	106,000
479,377	21,750	-	5,894,254	10,081,275
-	-	9,440,110	-	9,440,110
5,576,383	-	-	-	5,576,383
(464,873)	409	-	-	(464,464)
-	-	-	-	251,443
-	-	-	-	18,263
-	-	-	-	645,128
-	-	-	-	275,528
-	-	-	-	3,185,625
5,111,510	409	9,440,110	-	18,928,016
\$ 5,590,887	\$ 22,159	\$ 9,440,110	\$ 5,894,254	\$ 29,009,291

CITY OF STREETSBORO
PORTAGE COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Municipal income tax	\$ 3,666,414	\$ -	\$ 284,844	\$ 664,812
Property and other taxes	731,560	199,267	275,409	-
Charges for services	76,235	91,060	-	208,919
Licenses and permits	576,069	-	-	-
Fines and forfeitures	172,634	31,417	-	-
Intergovernmental	505,173	893,041	24,015	182,737
Special assessments	-	59,723	39,635	-
Investment income	170,825	19,511	17,395	-
Other	23,871	34,331	-	35,075
Total revenues	<u>5,922,781</u>	<u>1,328,350</u>	<u>641,298</u>	<u>1,091,543</u>
Expenditures:				
Current:				
General government	1,232,381	96,486	6,462	13,295
Security of persons and property	3,105,300	211,853	-	-
Public health and welfare	-	40,481	-	-
Transportation	-	477,965	-	-
Community environment	515,013	-	-	6,480
Basic utility services	656,684	-	-	-
Leisure time activities	176,546	83,388	-	-
Other	-	305	-	-
Capital outlay	288,959	523,432	-	1,247,150
Debt service:				
Principal retirement	-	-	244,000	133,579
Interest and fiscal charges	-	-	263,075	38,996
Total expenditures	<u>5,974,883</u>	<u>1,433,910</u>	<u>513,537</u>	<u>1,439,500</u>
Excess of revenues over (under) expenditures	<u>(52,102)</u>	<u>(105,560)</u>	<u>127,761</u>	<u>(347,957)</u>
Other financing sources (uses):				
Sale of fixed assets	19,328	-	-	-
Inception of capital lease	-	-	-	192,284
Operating transfers - in	-	10,000	136,321	130,410
Operating transfers - out	(158,410)	-	-	(136,321)
Total other financing sources (uses)	<u>(139,082)</u>	<u>10,000</u>	<u>136,321</u>	<u>186,373</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(191,184)</u>	<u>(95,560)</u>	<u>264,082</u>	<u>(161,584)</u>
Fund balances at beginning of year, as restated	1,761,658	1,216,650	381,046	1,200,879
Fund balances at end of year	<u>\$ 1,570,474</u>	<u>\$ 1,121,090</u>	<u>\$ 645,128</u>	<u>\$ 1,039,295</u>

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

**Totals
(Memorandum
Only)**

\$	4,616,070
	1,206,236
	376,214
	576,069
	204,051
	1,604,966
	99,358
	207,731
	93,277
	<u>8,983,972</u>

1,348,624
3,317,153
40,481
477,965
521,493
656,684
259,934
305
2,059,541

377,579
302,071
<u>9,361,830</u>

(377,858)

19,328
192,284
276,731
<u>(294,731)</u>
<u>193,612</u>

(184,246)

4,560,233
<u>\$ 4,375,987</u>

**CITY OF STREETSBORO
PORTAGE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			
	General Fund			
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget
Revenues:				
Municipal income tax	\$ 3,650,000	\$ 3,739,757	\$ 89,757	\$ -
Property and other taxes	631,299	740,941	109,642	150,194
Charges for services	71,900	76,235	4,335	88,275
Licenses and permits	457,800	576,069	118,269	-
Fines and forfeitures	168,000	175,698	7,698	10,000
Intergovernmental	431,206	457,954	26,748	898,327
Special assessments	-	-	-	60,000
Investment income	180,000	194,576	14,576	17,000
Other	56,250	23,871	(32,379)	3,725
Total revenues	<u>5,646,455</u>	<u>5,985,101</u>	<u>338,646</u>	<u>1,227,521</u>
Expenditures:				
Current:				
General government	1,539,307	1,395,945	143,362	144,663
Security of persons and property	3,364,629	3,115,657	248,972	220,085
Public health and welfare	-	-	-	42,534
Transportation	-	-	-	569,984
Community environment	581,828	513,246	68,582	-
Basic utility services	780,585	722,908	57,677	-
Leisure time activities	240,554	204,827	35,727	108,586
Other	-	-	-	500
Capital outlay	375,596	304,187	71,409	607,000
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>6,882,499</u>	<u>6,256,770</u>	<u>625,729</u>	<u>1,693,352</u>
Excess of revenues over (under) expenditures	<u>(1,236,044)</u>	<u>(271,669)</u>	<u>964,375</u>	<u>(465,831)</u>
Other financing sources (uses):				
Other financing sources	76,000	170,768	94,768	17,500
Other financing uses	(144,150)	(137,755)	6,395	(3,500)
Sale of fixed assets	-	19,328	19,328	-
Proceeds from sale of notes	-	-	-	-
Operating transfers - in	-	-	-	56,000
Operating transfers - out	(242,560)	(158,410)	84,150	-
Total other financing sources (uses)	<u>(310,710)</u>	<u>(106,069)</u>	<u>204,641</u>	<u>70,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,546,754)</u>	<u>(377,738)</u>	<u>1,169,016</u>	<u>(395,831)</u>
Fund balances at beginning of year	1,198,209	1,198,209	-	871,840
Prior year encumbrances appropriated	237,716	237,716	-	73,411
Fund balances at end of year	<u>\$ (110,829)</u>	<u>\$ 1,058,187</u>	<u>\$ 1,169,016</u>	<u>\$ 549,420</u>

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

Governmental Fund Types

Special Revenue Funds			Debt Service Funds		
Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	
\$ -	\$ -	\$ 280,000	\$ 280,482	\$ 482	
192,269	42,075	208,194	270,710	62,516	
93,516	5,241	-	-	-	
-	-	-	-	-	
31,417	21,417	-	-	-	
891,557	(6,770)	37,550	24,015	(13,535)	
59,723	(277)	70,000	39,635	(30,365)	
22,099	5,099	-	18,287	18,287	
34,331	30,606	-	-	-	
<u>1,324,912</u>	<u>97,391</u>	<u>595,744</u>	<u>633,129</u>	<u>37,385</u>	
131,164	13,499	8,500	7,512	988	
217,764	2,321	-	-	-	
39,818	2,716	-	-	-	
521,646	48,338	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
91,943	16,643	-	-	-	
330	170	-	-	-	
582,352	24,648	-	-	-	
-	-	265,000	244,000	21,000	
-	-	265,200	263,075	2,125	
<u>1,585,017</u>	<u>108,335</u>	<u>538,700</u>	<u>514,587</u>	<u>24,113</u>	
<u>(260,105)</u>	<u>205,726</u>	<u>57,044</u>	<u>118,542</u>	<u>61,498</u>	
4,229	(13,271)	-	-	-	
(2,753)	747	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
10,000	(46,000)	-	136,321	136,321	
-	-	-	-	-	
<u>11,476</u>	<u>(58,524)</u>	<u>-</u>	<u>136,321</u>	<u>136,321</u>	
(248,629)	147,202	57,044	254,863	197,819	
871,840	-	329,987	329,987	-	
73,411	-	-	-	-	
<u>\$ 696,622</u>	<u>\$ 147,202</u>	<u>\$ 387,031</u>	<u>\$ 584,850</u>	<u>\$ 197,819</u>	

(continued)

CITY OF STREETSBORO
PORTAGE COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types		
	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Municipal income tax	\$ 600,000	\$ 654,458	\$ 54,458
Property and other taxes	-	-	-
Charges for services	170,000	229,718	59,718
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental	-	182,737	182,737
Special assessments	-	-	-
Investment income	-	-	-
Other	-	35,075	35,075
Total revenues	<u>770,000</u>	<u>1,101,988</u>	<u>331,988</u>
Expenditures:			
Current:			
General government	19,200	16,015	3,185
Security of persons and property	-	-	-
Public health and welfare	-	-	-
Transportation	-	-	-
Community environment	7,000	6,480	520
Basic utility services	-	-	-
Leisure time activities	-	-	-
Other	-	-	-
Capital outlay	2,384,478	1,431,272	953,206
Debt service:			
Principal retirement	16,000	16,360	(360)
Interest and fiscal charges	-	-	-
Total expenditures	<u>2,426,678</u>	<u>1,470,127</u>	<u>956,551</u>
Excess of revenues over (under) expenditures	<u>(1,656,678)</u>	<u>(368,139)</u>	<u>1,288,539</u>
Other financing sources (uses):			
Other financing sources	-	-	-
Other financing uses	(10,600)	(53,782)	(43,182)
Sale of fixed assets	-	-	-
Proceeds from sale of notes	1,990,000	425,000	(1,565,000)
Operating transfers - in	-	130,410	130,410
Operating transfers - out	(500,760)	(136,321)	364,439
Total other financing sources (uses)	<u>1,478,640</u>	<u>365,307</u>	<u>(1,113,333)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(178,038)</u>	<u>(2,832)</u>	<u>175,206</u>
Fund balances at beginning of year	1,011,216	1,011,216	-
Prior year encumbrances appropriated	391,723	391,723	-
Fund balances at end of year	<u>\$ 1,224,901</u>	<u>\$ 1,400,107</u>	<u>\$ 175,206</u>

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

Totals
(Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 4,530,000	\$ 4,674,697	\$ 144,697
989,687	1,203,920	214,233
330,175	399,469	69,294
457,800	576,069	118,269
178,000	207,115	29,115
1,367,083	1,556,263	189,180
130,000	99,358	(30,642)
197,000	234,962	37,962
59,975	93,277	33,302
<u>8,239,720</u>	<u>9,045,130</u>	<u>805,410</u>
1,711,670	1,550,636	161,034
3,584,714	3,333,421	251,293
42,534	39,818	2,716
569,984	521,646	48,338
588,828	519,726	69,102
780,585	722,908	57,677
349,140	296,770	52,370
500	330	170
3,367,074	2,317,811	1,049,263
281,000	260,360	20,640
265,200	263,075	2,125
<u>11,541,229</u>	<u>9,826,501</u>	<u>1,714,728</u>
<u>(3,301,509)</u>	<u>(781,371)</u>	<u>2,520,138</u>
93,500	174,997	81,497
(158,250)	(194,290)	(36,040)
-	19,328	19,328
1,990,000	425,000	(1,565,000)
56,000	276,731	220,731
<u>(743,320)</u>	<u>(294,731)</u>	<u>448,589</u>
<u>1,237,930</u>	<u>407,035</u>	<u>(830,895)</u>
(2,063,579)	(374,336)	1,689,243
3,411,252	3,411,252	-
702,850	702,850	-
<u>\$ 2,050,523</u>	<u>\$ 3,739,766</u>	<u>\$ 1,689,243</u>

CITY OF STREETSBORO
PORTAGE COUNTY

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating revenues:			
Charges for services	\$ 1,469,016	\$ -	\$ 1,469,016
Other	77,023	-	77,023
Total operating revenues	<u>1,546,039</u>	<u>-</u>	<u>1,546,039</u>
Operating expenses:			
Personal services	160,055	-	160,055
Fringe benefits	36,313	-	36,313
Contractual services	648,584	-	648,584
Materials and supplies	109,525	-	109,525
Other	869	-	869
Depreciation	252,461	-	252,461
Total operating expenses	<u>1,207,807</u>	<u>-</u>	<u>1,207,807</u>
Operating income	<u>338,232</u>	<u>-</u>	<u>338,232</u>
Non-operating expenses:			
Interest and fiscal charges	<u>(39,870)</u>	<u>-</u>	<u>(39,870)</u>
Income before operating transfers	<u>298,362</u>	<u>-</u>	<u>298,362</u>
Operating transfers - in	<u>18,000</u>	<u>-</u>	<u>18,000</u>
Net income	316,362	-	316,362
Retained earnings at beginning of year	<u>(781,235)</u>	<u>409</u>	<u>(780,826)</u>
Retained earnings at end of year	<u>(464,873)</u>	<u>409</u>	<u>(464,464)</u>
Contributed capital at beginning of year	5,576,383	-	5,576,383
Contributed capital at end of year	<u>5,576,383</u>	<u>-</u>	<u>5,576,383</u>
Total fund equity at end of year	<u>\$ 5,111,510</u>	<u>\$ 409</u>	<u>\$ 5,111,919</u>

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

CITY OF STREETSBORO
PORTAGE COUNTY

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<u>Cash flows from operating activities:</u>			
Operating income	\$ 338,232	\$ -	\$ 338,232
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	252,461	-	252,461
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(24,076)	-	(24,076)
Increase (decrease) in liabilities:			
Accounts payable	(39,106)	-	(39,106)
Accrued wages	592	-	592
Compensated absences	(4,880)	-	(4,880)
Due to other governments	56,757	-	56,757
Net cash provided by operating activities	<u>579,980</u>	<u>-</u>	<u>579,980</u>
<u>Cash flows from noncapital financing activities:</u>			
Operating transfers from other funds	18,000	-	18,000
Net cash provided by noncapital financing activities	<u>18,000</u>	<u>-</u>	<u>18,000</u>
<u>Cash flows from capital and related financing activities:</u>			
Interest paid on debt	(28,108)	-	(28,108)
Principal payment on loans	(68,493)	-	(68,493)
Acquisition of capital assets	(250,765)	-	(250,765)
Cash received from special assessments	(11,013)	-	(11,013)
Proceeds of loan	9,090	-	9,090
Net cash used for capital and related financing activities	<u>(349,289)</u>	<u>-</u>	<u>(349,289)</u>
Net increase in cash and cash equivalents	248,691	-	248,691
Cash and cash equivalents at beginning of year	807,328	409	807,737
Cash and cash equivalents at end of year	<u>\$ 1,056,019</u>	<u>\$ 409</u>	<u>\$ 1,056,428</u>
Reconciliation of combined balance sheet:			
Equity in pooled cash and cash equivalents, nonexpendable trust fund		\$ 409	
Equity in pooled cash and cash equivalents, agency fund		<u>21,750</u>	
Total equity in pooled cash and cash equivalents, fiduciary fund type		<u>\$ 22,159</u>	

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

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**CITY OF STREETSBORO
PORTAGE COUNTY**

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

1. REPORTING ENTITY AND BASIS OF PRESENTATION

A. Description of the Entity

The City of Streetsboro, Ohio (the City) was incorporated in 1969 and chartered in 1971 under the laws of the State of Ohio. The City operates under the Mayor-Council form of government.

For financial reporting purposes, the City's general purpose financial statements include all funds, account groups, agencies, boards, commissions and departments for which the City is financially accountable. Financial accountability, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's general purpose financial statements to be misleading or incomplete.

The City provides various services and consists of many different activities and smaller accounting entities. These include police and fire fighting forces, a street maintenance department, a park and recreation system, planning and zoning, and a staff to provide the necessary support to these service providers. These service departments are included as part of the primary reporting entity.

B. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial Management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is then divided into various fund types. The following are the fund types and account groups utilized by the City:

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

General Fund - This fund is used to account for all financial resources of the City 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 Ohio.

Special Revenue Funds - These funds are used to account for proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs and special assessment long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Proprietary Fund Type

The proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

The following are the City's fiduciary funds:

Nonexpendable Trust Fund - This fund is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent.

Agency Fund - This fund is purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

General Fixed Assets Account Group - This account group is used to account for all fixed assets of the City, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligation Account Group - This account group is used to account for all long-term obligations of the City; except those accounted for in the proprietary funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these general purpose financial statements are summarized. These policies conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The City applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to proprietary activity provided they do not conflict with Governmental Accounting Standards Board Statements and Interpretations. For this year, the City has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues". This change required a restatement of beginning fund balance as shown in Note 18. The more significant of the City's accounting policies are described below.

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Combined Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the Combined Balance Sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurement made.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers governmental fund revenues as available if they are collected within sixty days after year-end. In applying the "susceptible to accrual" concept under the modified accrual basis, earnings on investments and municipal income taxes are deemed both measurable and available. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized during the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The modified accrual basis of accounting is followed for reporting purposes by all governmental fund types and the agency fund. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is considered to be sixty days after year end.

The City reports deferred revenue on its Combined Balance Sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized. Property taxes measurable as of December 31, 2001 and delinquent property taxes, whose availability is indeterminable and which are not intended to finance the current year operations, have been recorded as deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than on expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary funds and the non-expendable trust fund are reported using the accrual basis of accounting. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. Unbilled services charges receivable are recognized as revenue at year end.

B. Budgetary Process

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 prepared are the Tax Budget, the Certificate of Estimated Resources and the Annual Appropriation Measure, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Annual Appropriation Measure are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, legally are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each fund, program, and department. Budgetary modifications may only be made by resolution of the City Council.

Tax Budget

A 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. The budget includes proposed expenditures and the means of financing all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The 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.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the Annual Appropriation Measure. On or about January 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be amended further during the year if it is determined by the City, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official Certificate of Estimated Resources issued during 2001. During the year, the City did not obtain a revised Certificate of Estimated Resources to reflect the full amount of transfers in.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. The Annual Appropriation Measure must be passed by April 1 of each year for the period January 1 to December 31. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriations at any level of control. Any revisions that alter the appropriations at the legal level of budgetary control must first be approved by City Council. Council may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. Appropriation amounts are as originally adopted, or as amended by City Council, throughout the year by supplemental appropriations which either relocate or increase the original appropriated amounts. During the year, supplemental appropriations measures were legally enacted; however, none of these amendments were significant. The budgetary figures which appear in the statement of budgetary comparisons represents the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of the formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the object level within each department. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent year expenditures for governmental funds and are reported in the notes to the general purpose financial statements for proprietary funds.

Lapsing of Appropriations

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

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Cash Equivalents

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 City records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents" on the Combined Balance Sheet. During year 2001, investments were limited to STAR Ohio and overnight repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements are reported at cost.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2001.

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 during the year 2001 amounted to \$170,825, which includes \$122,740 assigned from other City funds.

For purposes of 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.

D. Inventory of Supplies

Inventories of governmental funds are stated at cost. 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 fund types when purchased and as expenses in the proprietary fund type when used. Reported supplies inventory is 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.

E. Short-Term Interfund Assets/Liabilities

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "Interfund Receivable/Payable".

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, Equipment and Depreciation

1. General Fixed Assets Account Group

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost.

Assets in the general fixed assets account group are not depreciated.

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 of the asset are capitalized at cost in the general fixed assets account group.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the City.

2. Proprietary Fund Fixed Assets

Property, plant, and equipment reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Equipment	5 to 30 years
Underground Piping	30 years

3. Valuation

The City's fixed asset values were determined using original acquisition costs when such information was available. In cases when original costs were not practicably determinable, estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated. The City maintains a capitalization threshold of five hundred dollars.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Compensated Absences

Governmental Accounting Standards Board Statement No.16, "Accounting for Compensated Absences", specifies the methods used to accrue liabilities for leave benefits. Vacation leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. Compensated absences include any employer pension and payroll taxes.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is recorded in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements, or shared revenues received for proprietary fund operating purposes are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

I. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from government funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available resources. In general, payments made more than sixty days after year-end are considered not to have been made with current available financial resources. Special assessment debt is recognized as a liability of the general long-term obligations account group until due.

Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Contributed Capital

Contributions for (or of) capital assets are credited directly to contributed capital at their fair market value on the date contributed. In prior years, these included donations by developers, contributions made by the City and assets whose construction was financed through special assessments. Depreciation expense on assets acquired through restricted grants is not closed to contributed capital. As of January 1, 2001 increases in contributed capital will only take place for contributions made by the City. There were no changes in contributed capital during the year.

K. Reserves of Fund Equity

The City records reservations for portions of fund balances which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriations for expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, inventory and debt service.

L. Interfund Transactions

During the course of normal operations the City makes numerous transactions between funds. The most significant include operating transfers and reimbursements.

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

M. Estimates

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

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is founded on accounting for certain transactions on a basis of cash receipts, disbursements, appropriations, and encumbrances.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual (Budget Basis), All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Adjustments necessary to reconcile the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

Excess of Revenues and Other Financing Sources Over (Under)
Expenditures and Other Financing Uses
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ (191,184)	\$ (95,560)	\$ 264,082	\$ (161,584)
Revenue Accruals	233,088	791	(8,169)	243,161
Expenditure Accruals	(233,130)	23,612	(1,050)	101,761
Encumbrances (Budget Basis)				
Outstanding at year end	(186,512)	(177,472)	-	(186,170)
Budget Basis	\$ (377,738)	\$ (248,629)	\$ 254,863	\$ (2,832)

4. DEPOSITS AND INVESTMENTS

Deposits and investments are restricted by provisions of the Ohio Revised Code.

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

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

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

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

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

Interim monies are permitted to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentality's;
3. Written repurchase agreements in the 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 2% and be 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Deposits - At year end, the carrying amount of the City's deposits, including petty cash of \$550 was \$33,375 and the bank balance was \$239,871. Federal depository insurance covered \$219,625 of the bank balance. \$20,246 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments - The City's investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the City at 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 for which the securities 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. STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form.

At year end, the City's investment balances were as follows:

<u>Category</u>	<u>Category</u>			<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>
Overnight Repurchase Agreements	\$ -	\$ -	\$ 625,000	\$ 625,000
Star Ohio				<u>4,720,572</u>
Total Investments				<u>\$ 5,345,572</u>

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments on the combined general purpose financial statements is based on criteria set forth in GASB Statement No.9, "Reporting Cash Flows of Proprietary and Non Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classifications of cash and cash equivalents and investments on the combined general purpose financial statements and the classifications of deposits and investments presented above per GASB Statement No.3 is as follows:

	<u>Cash and Cash Equivalent/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 5,378,947	\$ -
Investments of Cash Management Pool:		
Overnight Repurchase Agreement	(625,000)	625,000
STAR Ohio	<u>(4,720,572)</u>	<u>4,720,572</u>
GASB Statement No. 3	<u>\$ 33,375</u>	<u>\$ 5,345,572</u>

5. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by The County Auditor at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 20; if paid semiannually, the first payment is due January 20, with the remainder payable June 20, unless extended.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Public utility, real, and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31, of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently assessed at 88% of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

5. PROPERTY TAXES (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real tangible personal, and public utility taxes which were measurable as of December 31, 2001. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, 2001, and are not intended to finance 2001 operations. The receivable is therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2001, was \$2.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Category	Total Assessed Value	Percent
Real Property Valuations:		
Residential/Agricultural	\$ 133,758,740	49.0 %
Commercial/Industrial/Mineral	86,167,230	31.5
Public Utilities	14,000	0.0
Mobile Home	4,224,389	1.6
Tangible Personal Property Valuation		
General	39,722,126	14.5
Public Utilities	<u>9,334,360</u>	<u>3.4</u>
Total	<u>\$ 273,220,845</u>	<u>100.0 %</u>

6. INCOME TAX

The City levies and collects an income tax of 1.0% on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows no credit for the tax paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly.

Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and to file a final return annually.

Income tax revenues are distributed to the general, capital improvement, police station bond retirement funds, and the center for recreation and performing arts construction funds.

7. RECEIVABLES

Receivables at December 31, 2001, consisted of taxes, special assessments, accounts (which include billed and unbilled charged for services), loans and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

7. RECEIVABLES (Continued)

The loan receivable at December 31, 2001, represents a revolving loan made to a private enterprise under the United States Department of Housing and Urban Development Community Development Block Grant Program. The loan is due on February 21, 2015 and bears an interest rate of 5%. The loan is administered by the Portage Area Development Corporation.

A summary of the items of intergovernmental receivables follows:

<u>Fund</u>	<u>Amount</u>
General	<u>\$ 297,871</u>
Special Revenue:	
Street Construction	188,567
State Highway	15,288
Permissive	6,552
Education and Enforcement	1,136
Police Pension	<u>13,261</u>
Total Special Revenue	<u>224,804</u>
Debt Service:	
General Bond Retirement	<u>13,261</u>
Grand Total	<u>\$ 535,936</u>

8. SPECIAL ASSESSMENTS

Special assessments include annually assessed service assessments. Service type special assessments are levied against all property owners which benefit from the provided service. Special assessments are payable by the time and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

The City's special assessments include street improvements and water lines which are billed by the County Auditor and collected by the County Treasurer. The County Auditor periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

9. FIXED ASSETS

A summary of the changes in general fixed assets during 2001 follows:

	Balance <u>01/01/01</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/01</u>
Land and improvements	\$ 520,960	\$ 142,562	\$ -	\$ 663,522
Buildings	4,109,314	66,276	-	4,175,590
Furniture and equipment	1,898,395	221,424	(72,706)	2,047,113
Vehicles	<u>2,484,701</u>	<u>192,284</u>	<u>(123,100)</u>	<u>2,553,885</u>
Total	<u>\$ 9,013,370</u>	<u>\$ 622,546</u>	<u>\$ (195,806)</u>	<u>\$ 9,440,110</u>

A summary of the enterprise funds' fixed assets at December 31, 2001 follows:

Equipment	\$ 203,271
Vehicles	47,001
Underground Piping	<u>6,180,729</u>
	6,431,001
Less: Accumulated Depreciation	<u>(2,311,072)</u>
Net Fixed Assets	<u>\$ 4,119,929</u>

10. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All full time employees of the City, with the exclusion of City police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations. The 2001 employer pension contribution rate for the City was 9.25% of covered payroll, increased from 6.54% in 2000. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$228,360, \$148,613, and \$130,841, respectively. The full amount has been contributed for 2000 and 1999. 76.85% has been contributed for 2001, with the remainder being reported as a liability within the respective funds.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10% of their annual covered salary to fund pension obligations and the City is required to contribute 12% for police and 16.5% for firefighters. For 2000, the City contributions were 12.25% for police and 16.75% for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$152,966 for the year ended December 31, 2001, \$134,582 for the year ended December 31, 2000, \$81,528 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 76.58% has been contributed for 2001 with the remainder being reported as a liability within the respective funds.

11. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System (PERS):

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55% of covered payroll; 4.3% was the portion that was used to fund health care for the year 2001. For 2000, the contribution rate was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75%, an annual increase in active employee total payroll of 4.75% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54% and 5.1% based on additional annual pay increases. Health care premiums were assumed to increase 4.75% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

The number of active participants was 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$106,157. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No.12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that the health care costs are paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go-basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.5% of covered payroll was applied to the postemployment health care program during 2001. For 2000 the percent used to fund healthcare was 7.25%. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2001 that were used to fund postemployment benefits were \$88,578 for police and fire. The OP&F's total health care expenses for the year ended December 31, 2000, (the latest information available) were \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

12. COMPENSATED ABSENCES

City employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has acquired at least one year of service with the City. Accumulated, unused sick leave is paid to a retiring employee or, upon the death of the employee, to the employee's estate, up to a maximum of nine hundred sixty hours, provided the employee has ten or more years service with the City prior to the date of retirement or death. As of December 31, 2001, the liability for compensated absences was \$237,519 for the entire City.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

13. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. By maintaining comprehensive insurance coverage with private carriers, the City has addressed these various types of risk. Claims have not exceeded the coverage in any of the past three years and there has been no significant reduction in commercial coverage in any of the past three years.

14. DEBT OBLIGATIONS

Long-term debt outstanding at December 31, 2001 consisted of the following issues:

	Balance <u>1/1/01</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>1/31/01</u>
<u>ENTERPRISE FUNDS</u>				
8.97% OWDA Loan Due through 2005	\$ 269,963	\$ -	\$ (45,136)	\$ 224,827
7.65% OWDA Loan Due through 2006	50,882	-	(6,997)	43,885
0% OPWC Loan Due through 2009	<u>129,973</u>	<u>9,090</u>	<u>(16,360)</u>	<u>122,703</u>
Total Enterprise Debt	<u>450,818</u>	<u>9,090</u>	<u>(68,493)</u>	<u>391,415</u>
 <u>CAPITAL PROJECTS FUND</u>				
3.95% Storm Sewer Improvement Note	-	425,000	-	425,000
 <u>GENERAL LONG-TERM</u>				
<u>OBLIGATIONS ACCOUNT GROUP</u>				
9.125%, 1985 Ethan Avenue				
Special Assessments Bonds				
Due through 2005	20,000	-	(4,000)	16,000
10.875%, Frost waterline, State Road				
Waterline, Ranch Road Waterline				
Special Assessments Bonds				
Due through 2004	<u>120,000</u>	<u>-</u>	<u>(30,000)</u>	<u>90,000</u>
Total Special Assessments Bonds	<u>140,000</u>	<u>-</u>	<u>(34,000)</u>	<u>106,000</u>
 3.90% to 5.55%, 1999 Various				
Purpose General Obligations Bonds				
Due through 2019	4,975,000	-	(210,000)	4,765,000
0% OPWC Loan due through 2010	100,000	-	-	100,000
Capital Leases	637,765	192,284	(133,579)	696,470
Compensated Absences	<u>222,114</u>	<u>4,670</u>	<u>-</u>	<u>226,784</u>
TOTAL GENERAL LONG TERM DEBT	<u>6,074,879</u>	<u>196,954</u>	<u>(377,579)</u>	<u>5,894,254</u>
TOTAL ALL LONG-TERM DEBT	<u>\$ 6,525,697</u>	<u>\$ 631,044</u>	<u>\$ (446,072)</u>	<u>\$ 6,710,669</u>

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

14. DEBT OBLIGATIONS (Continued)

Enterprise loans are with the Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC). The loans are for the construction, maintenance and operation of various water projects. The loans are backed by the full faith and credit of the City.

All special assessments bonds outstanding at December 31, 2001 are for road and waterline improvements. The bonds are backed by the full faith and credit of the City. However, it is the City's policy to meet debt service requirements on the bonds from special assessments revenues.

The general obligation bonds outstanding at December 31, 2001 are for various improvements. The bonds are backed by the full faith and credit of the City and are payable from taxes levied on all taxable property in the City.

The annual requirements to amortize all bonded debt outstanding as of December 31, 2001, including interest payments of \$23,225 for the special assessments bonds, \$63,144 for the loans and \$2,441,237 for the general obligation bonds, are as follows:

Year Ended <u>December 31</u>	Special Assessment <u>Bonds</u>	<u>Loans</u>	General Obligation <u>Bonds</u>	<u>Total</u>
2002	\$ 45,248	\$ 106,601	\$ 454,485	\$ 606,334
2003	41,620	106,601	460,240	608,461
2004	37,992	106,602	460,120	604,714
2005	4,365	106,602	454,320	565,287
2006	-	37,250	453,050	490,300
2007-2011	-	90,903	2,154,957	2,245,860
2012-2016	-	-	1,862,183	1,862,183
2017-2019	-	-	<u>906,882</u>	<u>906,882</u>
Total	<u>\$ 129,225</u>	<u>\$ 554,559</u>	<u>\$ 7,206,237</u>	<u>\$ 7,890,021</u>

15. CAPITAL LEASES

In a prior year the City entered into capital leases for the acquisition of a dump truck and a fire truck. During the year ended December 31, 2001, the City entered into a few new capital lease agreements for the acquisition of three vehicles and two tractors. These lease agreements meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 'Accounting for leases'. Accordingly, these leases have been recorded at the present value of their future minimum lease payments, as of the inception date, in the general fixed assets account group and the general long-term obligations account group.

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2001:

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

15. CAPITAL LEASES (Continued)

Fiscal Year Ending <u>December 31</u>	<u>Lease Payments</u>
2002	\$ 121,167
2003	121,167
2004	121,167
2005	115,291
2006	98,493
2007-2010	<u>321,306</u>
Total minimum lease payments	898,591
Less: Amount representing interest	<u>(202,121)</u>
Present value of net minimum lease payments	<u>\$ 696,470</u>

16. CONTINGENT LIABILITIES

Several claims and lawsuits are pending against the City. It is management's opinion that the ultimate liability will be covered by insurance, and/or will not have a material effect on the general purpose financial statements. Also, the City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, City management believes such disallowance, if any, will be immaterial.

17. CHANGES IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF FUND BALANCES

For this year, the City has implemented GASB Statement (GASBS) No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues". In addition to the implementation of GASB 33 and 36, an error was found in the reporting of a revolving loan in a special revenue fund.

This change in accounting principle and error had the following effect on fund balances at December 31, 2000:

	<u>General</u>	<u>Special Revenue</u>
Fund balances, December 31, 2000	\$ 1,681,963	\$ 912,611
Implementation of GASBS No. 33	79,695	28,511
Restatement for error	<u>-</u>	<u>275,528</u>
Restated fund balances, December 31, 2000	<u>\$ 1,761,658</u>	<u>\$ 1,216,650</u>

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

17. CHANGES IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF FUND BALANCES – (Cont.)

The change in accounting principle had the following effect on the excess of revenues and other financing sources over expenditures and other financing uses at December 31, 2000:

	<u>General</u>	<u>Special Revenue</u>
Excess of revenues and other financing sources over expenditures and other financing uses as previously reported	\$ 154,846	\$ 331,374
Implementation of GASBS No. 33	<u>79,695</u>	<u>28,511</u>
Restated January 1, 2001	<u>\$ 234,541</u>	<u>\$ 359,885</u>

18. FUND DEFICITS

As of December 31, 2001, certain funds had deficit balances/retained earnings. These deficits are a result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds, however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

<u>Fund</u>	<u>Deficit</u>
Special assessment bond retirement debt service fund	\$ 14
Water enterprise fund	464,873

19. INTERFUND TRANSACTIONS

Interfund balances as of December 31, 2001, consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 7,746	\$ -
Special assessment bond retirement debt service fund	-	7,746

20. ACCOUNTABILITY AND COMPLIANCE

- A. Ohio Revised Code Section 5705.39** of the Ohio Revised Code prohibits a subdivision from allowing appropriations to exceed estimated resources. It was noted that the City had appropriations exceeding estimated resources for the following funds at December 31, 2001: General Fund, Capital Projects Funds (Capital Improvement and Park Improvement), and Enterprise Fund (Water Reserve).
- B.** The Finance Director's certification of the availability of funds was not always made prior to a purchase commitment in accordance with **Ohio Revised Code Section 5705.41(D)**.
- C. Ohio Revised Code Section 5705.41(B)** states no subdivision or taxing unit is to expend money unless it has been appropriated. For the fiscal year under audit expenditures exceeded appropriation in the Enterprise Fund and the OWDA Loan Fund.

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**Auditor of State
Betty Montgomery**

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

City of Streetsboro
Portage County
9184 State Route 43
Streetsboro, Ohio 44241

To the City Council:

We have audited the financial statements of the City of Streetsboro, Portage County as of and for the year ended December 31, 2001 and have issued our report thereon dated September 25, 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.

Compliance

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-001 through 2001-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Streetsboro in a separate letter dated September 25, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-006 through 2001-010.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not required inclusion in this report, that we have reported to management of the City in a separate letter dated September 25, 2003.

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



Betty Montgomery
Auditor of State

September 25, 2003

CITY OF STREETSBORO
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001

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

Finding Number	2001-001
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Noncompliance Citation – Certification of the Availability of Funds

Ohio Revised Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the City Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a Then and Now Certificate, but may authorize it to be paid without the affirmation of the Council.

For 36% of the expenditures tested, the Finance Director's certification of the availability of funds was not made prior to a purchase commitment and the above exceptions were not applied.

Incurring obligations prior to the fiscal officer's certification could result in the City spending more than appropriated.

We recommend the City establish control policies and procedures that are sufficient to reasonably ensure purchases are certified and encumbered prior to the time of the purchase obligation.

Finding Number	2001-002
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Noncompliance - Contracts

- **Ohio Revised Code Section 735.05** states that, the director of public service may make any contract, purchase supplies or material, or provide labor for any work under the supervision of the department of public service involving not more than fifteen thousand dollars. When an expenditure within the department, other than the compensation of persons employed therein, exceeds fifteen thousand dollars, such expenditure shall first be authorized and directed by ordinance of the city legislative authority. When so authorized and directed, except where the contract is for equipment, services, materials, or supplies to be purchased under division (D) of section 713.23 or section 125.04 or 5513.01 of the Revised Code or available from a qualified nonprofit agency pursuant to sections 4115.31 to 4115.35 of the Revised Code, the director shall make a written contract with the lowest and best bidder.

Fifteen percent of the contracts selected for testing were not awarded by entering into written contracts. The City should enter into contracts using written contractual agreements as required by Ohio Revised Code.

CITY OF STREETSBORO
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001
(Continued)

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

Finding Number	2001-002 (Continued)
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Noncompliance – Contracts (Continued)

- **Ohio Revised Code Section 153.13** states that, at the time named in the contract for payment to the person with whom it is made, the owner shall approve a full, accurate, and detailed estimate of the various kinds of labor performed and material furnished under the contract, with the amount due for each kind of labor and material and the materials and amount due in the aggregate, which estimate shall be based upon actual measurement of such labor and materials, and shall give the amounts of the preceding estimate, and the amount of labor performed and materials furnished since the last estimate.

Five percent of the contracts selected for testing did not have labor and materials breakdown provided to the City. The City should maintain signed copies of labor and material breakdown payment requests to support payments made to vendors.

- We recommend that the City follow the Ohio Revised Code and that the City obtain and maintain complete files of all contractual information including but not limited to: advertising documentation, bidding documentation, signed and completed contracts, labor and material breakdown documentation, and prevailing wage certifications and documentation for all written contracts entered into by the City.

Implementation of this recommendation will assist the City in maintaining compliance with Ohio Revised Code and local ordinances and could possibly save the City money by utilization of price comparison. Additionally, implementation will assist the City in increasing controls over payments of contractual obligations and increase the City's ability to enforce completion of contractual obligations.

Finding Number	2001-003
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Noncompliance – Contracts Bidding Documentation

Ohio Revised Code Section 735.05 states that, the director of public service may make any contract, purchase supplies or material, or provide labor for any work under the supervision of the department of public service involving not more than fifteen thousand dollars. When expenditure within the department, other than the compensation of persons employed therein, exceeds fifteen thousand dollars, such expenditure shall first be authorized and directed by ordinance of the city legislative authority. The director shall make a written contract with the lowest and best bidder after advertisement for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the city. Ohio Revised Code section 9.312 (c) states that, a municipal corporation required by law to award contracts by competitive bidding may by ordinance or resolution adopt a policy of requiring each competitively bid contract it awards to be awarded to the lowest responsive and responsible bidder in accordance with this section.

Ohio Revised Code Section 149.351(A) states that, All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2001-003 (Continued)

Noncompliance – Contracts Bidding Documentation (Continued)

Ohio Revised Code Section 149.011 (G) states that, "Records" include any document, device, or item, regardless of physical form or characteristic, created or received by or coming under the jurisdiction of any public office of the state or its political subdivisions, which serves to document the organization, functions, policies, decisions, procedures, operations, or other activities of the office.

The City did not advertise for bids or was unable to provide advertisement documentation for 5% of contracts selected for testing.

For these contracts the City approved an ordinance for the City to enter into a contract for goods or services in an amount greater than \$15,000.00, goods or services were received, purchase orders were issued by the Finance Director and vendors received payments. However the City was unable to provide documentation regarding advertisement and/ or bidding for contractual commitments. The City does assert that all contracts were properly advertised and let for bid

Failure to advertise for contractual commitments, maintain bid documentation and/or to document the reasons why an apparent low bidder was not awarded a contract could lead to possible actions by the unsuccessful bidder and could lead to non compliance with Ohio Revised Code. Failure to maintain documentation received by the public office is a violation of Ohio Revised Code.

We recommend that the City properly advertise and let for bid all contracts required by Ohio Revised Code and maintain all records related to contractual commitments and obligations of the City, regardless of the physical form of the record. We also recommend that the City Council document in the resolution why a contract was not awarded to a vendor when the vendor had the lowest bid.

Finding Number	2001-004
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Noncompliance - Appropriations limited by estimated revenue.

Ohio Revised Code Section 5705.39 provides that, the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditures therefrom, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority, a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. Appropriations shall be made from each fund only for the purposes for which such fund is established.

The City's appropriations exceeded the amount of estimated resources certified by the County Budget Commission. Amended appropriations exceeded estimated resources in the following funds and amounts:

Fund	Total Estimated Resources	Total Amended Appropriations	Appropriations exceeded Estimated Resources
General Fund	\$6,920,664	\$7,269,209	\$348,505
Capital Project Funds			
Capital Improvements	\$ 645,654	\$1,468,609	\$822,955

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2001-004 (Continued)

Noncompliance - Appropriations limited by estimated revenue (Continued)

Park Improvement	\$ 17,395	\$ 165,934	\$148,539
Enterprise Fund			
Water Reserve	\$ 304,908	\$ 369,821	\$ 64,913

We noted that the City had greater actual receipts than on the original certificate of estimated resources in some funds. Had the City obtained an increase amended certificate of estimated resources, it would then have had sufficient certified estimated resources to support the appropriations noted above.

Additionally, City made seventeen amendments to the original permanent appropriations, yet none of these amendments were sent to the County Auditor in order to receive the proper certificate indicating total appropriations do not exceed the total official estimate or amended official estimate. Not all of these appropriation amendments were posted correctly to the City's computerized budgetary accounting system.

The amended appropriations in the following funds were not filed with the County Auditor's Office for proper Certification.

Fund Type/ Name	Total Original Appropriation	Total Amendments To Appropriations	Total Final Appropriations With Amendments by Council
General Fund	\$6,258,066.66	\$ 773,423.05	\$7,031,489.05
Special Revenue Funds	\$1,650,384.00	\$ (26,942.69)	\$1,623,441.31
Capital Projects Funds	\$1,896,000.00	\$ 650,314.54	\$2,546,314.54
Enterprise Funds	\$1,673,801.00	\$ 275,992.00	\$1,949,793.00

We recommend that the City file all appropriation amendments with the County Auditor for proper certification to assist with monitoring of appropriations versus estimated revenues. Additionally, we recommend the City Council more closely monitor the recording of appropriations and compare these against certified resources prior to amending appropriations.

Implementation of this recommendation will assist the City in maintaining compliance with Ohio Revised Code.

Finding Number	2001-005
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Noncompliance – Budgetary – Restrictions On The Expenditure of Monies

Ohio Revised Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. For both fiscal years under audit expenditures exceeded appropriation in the following funds:

Fund Type/ Name	Total Appropriation	Total Expenditures	Amount Exceeded
Enterprise Funds			
OWDA Loan	\$ 82,900	\$ 91,379	\$ 8,479

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2001-005 (Continued)

Noncompliance – Budgetary – Restrictions On The Expenditure of Monies

We recommend the Finance Director limit expenditures to the appropriations that are approved by City Council. We additionally recommend that the City Council monitor expenditures to ensure that approved appropriations are not exceeded during the expenditure approval process.

Implementation of this recommendation will assist the City in maintaining compliance with Ohio Revised Code and assist the City in more closely monitoring the proper accounting of expenditures.

Finding Number	2001-006
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Recommendation - Payroll Clearing Account Reconciliation/ Stale Checks

The Payroll Clearing account should be reconciled on a monthly basis to ensure the accuracy of checks clearing the bank and to ensure completeness of the month end bank balance.

Per our review of the payroll clearing account records the City did not reconcile the accounting system balance to the bank balance for the period February 2001 to April 2003. Records of payroll checks issued have not been reconciled to bank balances for accuracy of cleared check amounts. The City of Streetsboro has stale dated checks outstanding dated back to 1999.

We recommend that the Finance Director reconcile the payroll clearing account on a monthly basis to determine the proper outstanding check amount and ending account balance. Additionally, we recommend that the completed payroll account reconciliation be forwarded to the finance committee for review. We also recommend that the City develop written policy guidelines to aid it in accounting for outstanding stale dated checks in a proper manner, which should include the proper accounting treatment for unclaimed monies (per MAS Bulletin 91-11), and that a timeline be established in the policy for when monies are to be classified as unclaimed monies.

Finding Number	2001-007
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Recommendation - Budgetary Updating of Computer system

The City of Streetsboro did not post appropriation amendment amounts to its financial records (computer system) as noted in finding number 2001-004. As a result, the City did not have the ability to review its financial records and compare actual amounts with estimated amounts throughout the year.

This internal control weakness also caused the budgetary statements in the City's general purpose financial statements to be inaccurate, the statement have been adjusted for these amounts.

To enhance internal accounting control, we recommend all budgetary information certified by the County Budget Commission or approved by City Council be timely and accurately input to the system.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2001-008

Recommendation - Overall Receipt Postings

The City should have a chart of accounts with detailed explanations to ensure that receipts and disbursements are posted to the appropriate revenue source code and expenditure code. For both years under audit, property taxes were mis-posted to the intergovernmental receipts line item and supply purchases were posted to the utilities line item. The City has a chart of accounts, however, the chart of accounts lacks separate accounts for certain significant classes of transactions, nor does it include appropriate descriptors allowing employees to easily identify where an item should be posted.

It was noted that there are numerous times when revenues and expenditures were not posted to the correct account codes. Seventy percent of the receipts tested and 6% of the expenditures tested were posted to incorrect account codes. Due to posting errors, individual accounts and line items did not present accurate information for the Finance Director and to City Council. This could allow monies to be budgeted and spent improperly. The material adjustments were posted to the financial records to correct these errors.

We recommend that the City develop and use a chart of accounts with detailed explanations for each account. This will help ensure funds are posted to the proper account code and that public monies are budgeted and spent for intended purposes.

Finding Number	2001-009
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Recommendation - Fixed Assets:

During testing of fixed assets we noted the following;

1. The City does not have a formal policy for either capitalized or controlled fixed assets nor is there a policy for inventory procedures. The City should have a formalized fixed asset policy and inventory policy in place
2. The current City Property Management System does not have a complete listing of all assets meeting the City's capitalization threshold. The City was only able to locate the fixed asset listings of additions and deletions produced by the accountants performing the GAAP conversion, which do not provide all the serial numbers or adequate descriptions to identify all assets. This condition has been communicated to the City as a reportable condition in the audit reports for 1998, 1999, and 2000. The City provided a dollar amount for 2001 fixed assets; however, the City was unable to provide a fixed asset listing for fiscal year 2001
3. For fiscal year 2001, errors noted for additions to fixed assets, including capitalized lease amounts, totaled \$47,290 and errors noted for deletions to fixed assets, including trade-in errors, totaled \$164,206. Additionally, for the Enterprise Fund we noted errors in additions to fixed assets of \$242,750, which in turn caused accumulated depreciation and current year depreciation to be miscalculated in the amounts of \$16,819 and \$13,935 respectively. These adjustments were made to the financial statements.

As part of the above adjusted amounts, some trade in items for 2001 were left on the books at original value and the new assets were brought on the books at the cost of the new asset minus trade in value of old assets. Also some traded in assets for 2001, were not removed as the new assets were not recorded. The dollar amount of disposals related to improper recording of trade-ins was \$98,987 in 2001.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2001-009 (Continued)

Recommendation - Fixed Assets: (Continued)

We recommend the following:

1. The City should complete a physical inventory of fixed asset owned by the City. The City should follow Governmental Accounting Standards Board (GASB) Codification 1400.111 for recording of fixed assets at cost which includes not only an assets purchase price, but also ancillary charges necessary to place the asset in its intended location and condition for use. When necessary, we recommend that the City follow GASB Codification 1400.112 regarding estimating the original cost of assets.. The annual physical inventory lists should be compared to the fixed asset system listing to ensure that all items are properly accounted for.

2. The City should require each department to take a physical inventory of fixed assets and submit it to the finance department. The Finance Department should review these listings and compare them to the purchases made during the year to ensure the completeness and accuracy of the listings. The individuals responsible for taking the inventory should have the necessary training to recognize the various items that should be picked up as controlled and capitalized assets.

3. The City should implement a comprehensive and uniform fixed asset system to account for all controlled and capitalized fixed assets. Having such a system in place will help the City to track these assets and help ensure the Finance Department has a proper accounting of the City's fixed assets. Utilizing common naming conventions and having similar items listed together may help the property manager to locate the assets with greater efficiency. Additionally, this could lead to greater accuracy in the reporting of fixed assets of the City.

4. The City should adopt a formal policy for fixed assets/inventory. The policy should, have the definitions for the City as to capitalization threshold and controlled fixed assets, and consumable inventory. The policy should also include procedures for the transfer of assets from one department to another and require that an asset transfer sheet be correctly completed and signed by an authorized employee of those departments. Assets should not be accepted or transferred without an asset transfer sheet accompanying the asset. The policy should also have procedures to follow for the disposal of an asset item such as, documentation to be maintained, who should approve the disposal, and the procedures for the department supervisors to follow when requesting disposal of an asset. We also recommend that once the Council has established and adopted a fixed asset policy that Council monitor compliance with these procedures.

Finding Number	2001-010
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Recommendation Budgetary – Amended Certificate of Estimated Resources

During the year under audit, an amended certificate of estimated resources was not filed with or approved by the County Budget Commission. Actual revenues were less than estimated revenues and actual expenditures exceeded estimated revenues in the following funds: seven special revenue funds, one capital project fund, one debt service fund, and one enterprise fund. Additionally, actual revenues were greater than estimated revenues and actual expenditures exceeded estimated revenues in the following funds: general fund, three special revenue funds, two capital project funds, and all debt service funds. Although permitted by the Ohio Revised Code, the City did not request an amended Certificate of Estimated Resources.

CITY OF STREETSBORO
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2001-010 (Continued)

Recommendation Budgetary – Amended Certificate of Estimated Resources

Failure to request an amended certificate of estimated resources could result in material Ohio Revised Code violations.

We recommend that the Finance Director more closely monitor estimated resources and request an amended certificate from the County Budget Commission when it is determined that resources received will be greater than or less than the current amount certified.

**CITY OF STREETSBORO
PORTAGE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid (Explain)
2000-001	<p>Recommendation – Fixed Assets The City should complete a physical Inventory of Fixed Assets; implement a comprehensive and uniform fixed asset system and should adopt a formal policy for fixed assets.</p>	No	Not Corrected – Reissued as Finding No 2001-009



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CITY OF STREETSBORO

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 16, 2003**