



**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, 2003, 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.

Except as discussed in the following paragraph, 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.

We could not confirm the City's total debt liability due to a lack of supporting documentation maintained by the City, nor were we able to satisfy ourselves by other auditing procedures and through inquiry with the City. During the course of the audit through third party confirmations we were made aware of four debt obligations (totaling \$200,000) in which the Finance Department had no knowledge of and while in the process of finalizing the report we were made aware of two additional debt liability (totaling \$2,204,109) that the City did not disclose during the audit. Those financial activities are included in the Enterprise Fund and General Long-term Obligations Account Groups and represent 51 percent 24 percent of the liability respectively.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to obtain the completeness of the City's debt liability, 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, 2003, and the results of its operations and 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 May 23, 2005, 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 grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and you should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 23, 2005

General Purpose Financial Statements

**CITY OF STREETSBORO
PORTAGE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$ 546,450	\$ 443,638	\$ 339,465	\$ 1,031,011
Receivables:				
Taxes	2,465,470	98,706	280,724	256,649
Accounts	63,864	225	-	80,256
Interfund	70,000	-	-	-
Special assessments	-	-	34,688	-
Due from other governments	235,856	268,176	17,128	-
Materials and supplies inventory	-	12,898	-	-
Loans receivable	-	360,558	-	-
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	<u>\$ 3,381,640</u>	<u>\$ 1,184,201</u>	<u>\$ 672,005</u>	<u>\$ 1,367,916</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 126,032	\$ 63,050	\$ -	\$ 51,498
Interfund payable	-	70,000	-	-
Accrued wages and benefits	130,293	12,106	-	-
Compensated absences payable	14,042	2,375	-	-
Due to other governments	114,371	32,322	-	-
Deferred revenue	2,264,064	276,779	313,534	241,464
Deposits held and due to others	-	-	-	-
Accrued interest payable	-	-	-	-
Bond anticipation notes	-	-	-	-
Capital leases payable	-	-	-	-
OPWC loan payable	-	-	-	-
OWDA loan payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Tax incremental financing agreement	-	-	-	-
Special assessment debt with governmental commitment	-	-	-	-
Total liabilities	<u>2,648,802</u>	<u>456,632</u>	<u>313,534</u>	<u>292,962</u>
Fund equity and other credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	86,453	23,878	750	329,755
Reserved for inventory	-	12,898	-	-
Reserved for debt service	-	-	357,721	-
Reserved for loans receivable	-	360,558	-	-
Unreserved, undesignated	646,385	330,235	-	745,199
Total fund equity and other credits	<u>732,838</u>	<u>727,569</u>	<u>358,471</u>	<u>1,074,954</u>
Total liabilities, fund equity and other credits	<u>\$ 3,381,640</u>	<u>\$ 1,184,201</u>	<u>\$ 672,005</u>	<u>\$ 1,367,916</u>

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			
\$ 1,321,614	\$ 103,417	\$ -	\$ -	\$ 3,785,595
-	-	-	-	3,101,549
279,745	-	-	-	424,090
-	-	-	-	70,000
109,541	-	-	-	144,229
-	-	-	-	521,160
-	-	-	-	12,898
-	-	-	-	360,558
5,379,034	-	12,976,812	-	18,355,846
-	-	-	357,721	357,721
-	-	-	8,737,179	8,737,179
-	-	-	38,000	38,000
\$ 7,089,934	\$ 103,417	\$ 12,976,812	\$ 9,132,900	\$ 35,908,825
\$ 3,560	\$ 9,232	\$ -	\$ -	253,372
-	-	-	-	70,000
6,157	-	-	-	148,556
922	-	-	282,015	299,354
87,724	-	-	34,490	268,907
-	-	-	-	3,095,841
-	93,776	-	-	93,776
6,554	-	-	-	6,554
-	-	-	1,280,000	1,280,000
-	-	-	662,864	662,864
134,983	-	-	311,422	446,405
150,290	-	-	-	150,290
-	-	-	4,320,000	4,320,000
-	-	-	2,204,109	2,204,109
-	-	-	38,000	38,000
390,190	103,008	-	9,132,900	13,338,028
-	-	12,976,812	-	12,976,812
5,576,383	-	-	-	5,576,383
1,123,361	409	-	-	1,123,770
-	-	-	-	440,836
-	-	-	-	12,898
-	-	-	-	357,721
-	-	-	-	360,558
-	-	-	-	1,721,819
6,699,744	409	12,976,812	-	22,570,797
\$ 7,089,934	\$ 103,417	\$ 12,976,812	\$ 9,132,900	\$ 35,908,825

**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, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Municipal income tax	\$ 3,892,617	\$ -	\$ 129,226	\$ 554,019
Property and other taxes	1,047,621	211,085	199,284	-
Charges for services	168,135	99,516	-	231,152
Licenses and permits	661,691	-	-	-
Fines and forfeitures	165,252	20,815	-	-
Intergovernmental	523,650	596,678	29,364	394,135
Special assessments	-	-	82,191	-
Investment income	40,462	6,115	5,600	-
Donations and contributions	-	7,770	-	7,500
Other	95,514	23,929	12,764	11,785
Total revenues	<u>6,594,942</u>	<u>965,908</u>	<u>458,429</u>	<u>1,198,591</u>
Expenditures:				
Current:				
General government	1,564,443	143,351	14,852	14,962
Security of persons and property	3,629,569	151,743	-	-
Public health and welfare	-	23,803	-	-
Transportation	-	613,139	-	-
Community environment	663,424	-	-	-
Basic utility services	720,017	-	-	-
Leisure time activities	162,330	222,626	-	-
Other	-	75,209	-	-
Capital outlay	81,692	152,780	-	2,637,426
Debt service:				
Principal retirement	-	-	264,000	176,329
Interest and fiscal charges	-	-	237,859	77,925
Total expenditures	<u>6,821,475</u>	<u>1,382,651</u>	<u>516,711</u>	<u>2,906,642</u>
Excess of revenues under expenditures	<u>(226,533)</u>	<u>(416,743)</u>	<u>(58,282)</u>	<u>(1,708,051)</u>
Other financing sources (uses):				
Proceeds of notes	-	-	-	1,280,000
Sale of fixed assets	19,239	-	-	-
Proceeds of OPWC loan	-	-	-	150,000
Inception of capital lease	-	-	-	90,000
Operating transfers - in	-	114,500	14,000	-
Operating transfers - out	(128,500)	-	-	-
Total other financing sources (uses)	<u>(109,261)</u>	<u>114,500</u>	<u>14,000</u>	<u>1,520,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(335,794)	(302,243)	(44,282)	(188,051)
Fund balances at beginning of year	1,068,632	1,029,562	402,753	1,263,005
Increase in reserve for inventory	-	250	-	-
Fund balances at end of year	<u>\$ 732,838</u>	<u>\$ 727,569</u>	<u>\$ 358,471</u>	<u>\$ 1,074,954</u>

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

**Totals
(Memorandum
Only)**

\$ 4,575,862
1,457,990
498,803
661,691
186,067
1,543,827
82,191
52,177
15,270
143,992

9,217,870

1,737,608
3,781,312
23,803
613,139
663,424
720,017
384,956
75,209
2,871,898

440,329
315,784

11,627,479

(2,409,609)

1,280,000
19,239
150,000
90,000
128,500
(128,500)

1,539,239

(870,370)

3,763,952

250

\$ 2,893,832

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, 2003**

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Municipal income tax	\$ 4,152,081	\$ 3,977,833	\$ (174,248)
Property and other taxes	1,096,808	1,017,474	(79,334)
Charges for services	210,086	168,135	(41,951)
Licenses and permits	743,672	671,224	(72,448)
Fines and forfeitures	192,947	166,887	(26,060)
Intergovernmental	531,087	524,517	(6,570)
Special assessments	-	-	-
Investment income	82,002	42,453	(39,549)
Donations and contributions	-	-	-
Other	183,949	100,769	(83,180)
Total revenues	<u>7,192,632</u>	<u>6,669,292</u>	<u>(523,340)</u>
Expenditures:			
Current:			
General government	1,818,904	1,675,936	142,968
Security of persons and property	3,761,767	3,695,106	66,661
Public health and welfare	-	-	-
Transportation	-	-	-
Community environment	682,769	681,260	1,509
Basic utility services	775,977	775,977	-
Leisure time activities	215,280	188,549	26,731
Other	-	-	-
Capital outlay	99,261	96,558	2,703
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>7,353,958</u>	<u>7,113,386</u>	<u>240,572</u>
Excess of revenues over (under) expenditures	<u>(161,326)</u>	<u>(444,094)</u>	<u>(282,768)</u>
Other financing sources (uses):			
Other financing sources	77,179	69,913	(7,266)
Other financing uses	(116,544)	(117,019)	(475)
Sale of fixed assets	22,189	19,239	(2,950)
Advances - in	-	-	-
Advances - out	(70,000)	(70,000)	-
Proceeds from sale of notes	-	-	-
Operating transfers - in	-	-	-
Operating transfers - out	(128,500)	(128,500)	-
Total other financing sources (uses)	<u>(215,676)</u>	<u>(226,367)</u>	<u>(10,691)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(377,002)</u>	<u>(670,461)</u>	<u>(293,459)</u>
Fund balances at beginning of year	993,994	993,994	-
Prior year encumbrances appropriated	107,981	107,981	-
Fund balances at end of year	<u>\$ 724,973</u>	<u>\$ 431,514</u>	<u>\$ (293,459)</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		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 116,000	\$ 140,702	\$ 24,702
298,221	213,806	(84,415)	229,183	198,649	(30,534)
130,330	100,232	(30,098)	-	-	-
-	-	-	-	-	-
11,500	21,385	9,885	-	-	-
651,352	636,970	(14,382)	-	28,198	28,198
5,000	-	(5,000)	46,000	82,191	36,191
4,647	7,624	2,977	9,817	5,876	(3,941)
10,000	7,770	(2,230)	-	-	-
52,845	23,774	(29,071)	-	12,764	12,764
<u>1,163,895</u>	<u>1,011,561</u>	<u>(152,334)</u>	<u>401,000</u>	<u>468,380</u>	<u>67,380</u>
221,530	138,636	82,894	8,000	14,807	(6,807)
153,499	155,575	(2,076)	-	-	-
47,992	25,402	22,590	-	-	-
826,142	632,867	193,275	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
267,302	230,693	36,609	-	-	-
174,000	75,439	98,561	-	-	-
160,124	160,663	(539)	-	-	-
-	-	-	332,581	264,000	68,581
-	-	-	270,691	238,609	32,082
<u>1,850,589</u>	<u>1,419,275</u>	<u>431,314</u>	<u>611,272</u>	<u>517,416</u>	<u>93,856</u>
<u>(686,694)</u>	<u>(407,714)</u>	<u>278,980</u>	<u>(210,272)</u>	<u>(49,036)</u>	<u>161,236</u>
-	-	-	-	-	-
(718)	(718)	-	-	-	-
-	-	-	-	-	-
70,000	70,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
145,500	114,500	(31,000)	-	14,000	14,000
-	-	-	-	-	-
<u>214,782</u>	<u>183,782</u>	<u>(31,000)</u>	<u>-</u>	<u>14,000</u>	<u>14,000</u>
(471,912)	(223,932)	247,980	(210,272)	(35,036)	175,236
503,689	503,689	-	373,753	373,753	-
121,137	121,137	-	-	-	-
<u>\$ 152,914</u>	<u>\$ 400,894</u>	<u>\$ 247,980</u>	<u>\$ 163,481</u>	<u>\$ 338,717</u>	<u>\$ 175,236</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, 2003**

	Governmental Fund Types		
	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Municipal income tax	\$ 627,000	\$ 561,618	\$ (65,382)
Property and other taxes	-	-	-
Charges for services	179,000	225,405	46,405
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental	-	539,135	539,135
Special assessments	-	-	-
Investment income	-	-	-
Donations and contributions	-	-	-
Other	512,000	11,787	(500,213)
Total revenues	<u>1,318,000</u>	<u>1,337,945</u>	<u>19,945</u>
Expenditures:			
Current:			
General government	-	18,976	(18,976)
Security of persons and property	-	-	-
Public health and welfare	-	-	-
Transportation	-	-	-
Community environment	-	-	-
Basic utility services	-	-	-
Leisure time activities	-	-	-
Other	-	-	-
Capital outlay	2,397,585	2,936,872	(539,287)
Debt service:			
Principal retirement	3,016	1,320,879	(1,317,863)
Interest and fiscal charges	-	31,273	(31,273)
Total expenditures	<u>2,400,601</u>	<u>4,308,000</u>	<u>(1,907,399)</u>
Excess of revenues over (under) expenditures	<u>(1,082,601)</u>	<u>(2,970,055)</u>	<u>(1,887,454)</u>
Other financing sources (uses):			
Other financing sources	-	-	-
Other financing uses	(975)	(6,238)	(5,263)
Sale of fixed assets	-	-	-
Advances - in	-	-	-
Advances - out	-	-	-
Proceeds from sale of notes	5,000	1,280,000	1,275,000
Operating transfers - in	-	-	-
Operating transfers - out	-	-	-
Total other financing sources (uses)	<u>4,025</u>	<u>1,273,762</u>	<u>1,269,737</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,078,576)</u>	<u>(1,696,293)</u>	<u>(617,717)</u>
Fund balances at beginning of year	2,165,621	2,165,621	-
Prior year encumbrances appropriated	178,775	178,775	-
Fund balances at end of year	<u>\$ 1,265,820</u>	<u>\$ 648,103</u>	<u>\$ (617,717)</u>

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

Totals
(Memorandum Only)

<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 4,895,081	\$ 4,680,153	\$ (214,928)
1,624,212	1,429,929	(194,283)
519,416	493,772	(25,644)
743,672	671,224	(72,448)
204,447	188,272	(16,175)
1,182,439	1,728,820	546,381
51,000	82,191	31,191
96,466	55,953	(40,513)
10,000	7,770	(2,230)
748,794	149,094	(599,700)
<u>10,075,527</u>	<u>9,487,178</u>	<u>(588,349)</u>
2,048,434	1,848,355	200,079
3,915,266	3,850,681	64,585
47,992	25,402	22,590
826,142	632,867	193,275
682,769	681,260	1,509
775,977	775,977	-
482,582	419,242	63,340
174,000	75,439	98,561
2,656,970	3,194,093	(537,123)
335,597	1,584,879	(1,249,282)
270,691	269,882	809
<u>12,216,420</u>	<u>13,358,077</u>	<u>(1,141,657)</u>
<u>(2,140,893)</u>	<u>(3,870,899)</u>	<u>(1,730,006)</u>
77,179	69,913	(7,266)
(118,237)	(123,975)	(5,738)
22,189	19,239	(2,950)
70,000	70,000	-
(70,000)	(70,000)	-
5,000	1,280,000	1,275,000
145,500	128,500	(17,000)
(128,500)	(128,500)	-
<u>3,131</u>	<u>1,245,177</u>	<u>1,242,046</u>
(2,137,762)	(2,625,722)	(487,960)
4,037,057	4,037,057	-
407,893	407,893	-
<u>\$ 2,307,188</u>	<u>\$ 1,819,228</u>	<u>\$ (487,960)</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, 2003**

	<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	\$ 1,601,509	\$ -	\$ 1,601,509
Other	706	-	706
Total operating revenues	<u>1,602,215</u>	<u>-</u>	<u>1,602,215</u>
Operating expenses:			
Personal services	232,634	-	232,634
Fringe benefits	80,480	-	80,480
Contractual services	852,171	-	852,171
Materials and supplies	165,718	-	165,718
Other	2,640	-	2,640
Depreciation	346,461	-	346,461
Total operating expenses	<u>1,680,104</u>	<u>-</u>	<u>1,680,104</u>
Operating loss	<u>(77,889)</u>	<u>-</u>	<u>(77,889)</u>
Non-operating revenue (expenses):			
Other non-operating revenues	863,964	-	863,964
Interest and fiscal charges	<u>(13,974)</u>	<u>-</u>	<u>(13,974)</u>
Total non-operating revenues (expenses)	<u>849,990</u>	<u>-</u>	<u>849,990</u>
Income before operating transfers	<u>772,101</u>	<u>-</u>	<u>772,101</u>
Net income	772,101	-	772,101
Retained earnings at beginning of year	<u>351,260</u>	<u>409</u>	<u>351,669</u>
Retained earnings at end of year	<u>1,123,361</u>	<u>409</u>	<u>1,123,770</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>\$ 6,699,744</u>	<u>\$ 409</u>	<u>\$ 6,700,153</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, 2003**

	<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 loss	\$ (77,889)	\$ -	\$ (77,889)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	346,461	-	346,461
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(39,269)	-	(39,269)
Increase (decrease) in liabilities:			
Accounts payable	(772)	-	(772)
Accrued wages	(1,347)	-	(1,347)
Compensated absences	(3,963)	-	(3,963)
Due to other governments	2,190	-	2,190
Net cash provided by operating activities	<u>225,411</u>	<u>-</u>	<u>225,411</u>
<u>Cash flows from capital and related financing activities:</u>			
Interest paid on debt	(16,688)	-	(16,688)
Principal payment on loans	(83,065)	-	(83,065)
Acquisition of capital assets	(250,509)	-	(250,509)
Cash received from special assessments	46,415	-	46,415
Proceeds of loan	50,000	-	50,000
Net cash used for capital and related financing activities	<u>(253,847)</u>	<u>-</u>	<u>(253,847)</u>
Net decrease in cash and cash equivalents	(28,436)	-	(28,436)
Cash and cash equivalents at beginning of year	<u>1,350,050</u>	<u>409</u>	<u>1,350,459</u>
Cash and cash equivalents at end of year	<u>\$ 1,321,614</u>	<u>\$ 409</u>	<u>\$ 1,322,023</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>103,008</u>	
Total equity in pooled cash and cash equivalents, fiduciary fund type		<u>\$ 103,417</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, 2003**

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, 2003
(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, 2003
(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. 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.

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.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2003 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.

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 nonexpendable 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.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2003.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fluid 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.

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 2003, 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.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year 2003. 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, 2003.

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 2003 amounted to \$40,462, which includes \$33,826 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".

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.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>
Vehicles	5 years
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.

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.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2003 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, loans receivable 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.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

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	\$ (335,794)	\$ (302,243)	\$ (44,282)	\$ (188,051)
Revenue Accruals	144,263	115,653	9,951	(100,646)
Expenditure Accruals	(370,949)	83,695	(705)	(1,228,821)
Encumbrances (Budget Basis)				
Outstanding at year end	<u>(107,981)</u>	<u>(121,037)</u>	<u>-</u>	<u>(178,775)</u>
Budget Basis	<u>\$ (670,461)</u>	<u>\$ (223,932)</u>	<u>\$ (35,036)</u>	<u>\$ (1,696,293)</u>

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.

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:

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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).

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 \$500 was \$67,874 and the bank balance was \$264,170. Federal depository insurance covered \$206,479 of the bank balance. \$57,691 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.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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	\$ -	\$ -	\$ 195,000	\$ 195,000
Star Ohio				<u>3,522,721</u>
Total Investments				<u>\$ 3,717,721</u>

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 Nonexpendable 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</u> <u>Equivalent/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,785,595	\$ -
Investments of Cash Management Pool:		
Overnight Repurchase Agreement	(195,000)	195,000
STAR Ohio	<u>(3,522,721)</u>	<u>3,522,721</u>
GASB Statement No. 3	<u>\$ 67,874</u>	<u>\$ 3,717,721</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.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

5. PROPERTY TAXES (Continued)

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.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2003. 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, 2003 and are not intended to finance 2003 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, 2003, was \$2.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Category	Total <u>Assessed Value</u>	<u>Percent</u>	
Real Property Valuations:			
Residential/Agricultural	\$ 150,493,360	46.0	%
Commercial/Industrial/Mineral	117,028,250	35.7	
Public Utilities	11,490	-	
Mobile Home	5,554,120	1.7	
Tangible Personal Property Valuation			
General	46,022,608	14.1	
Public Utilities	<u>8,294,630</u>	<u>2.5</u>	
Total	<u>\$ 327,404,458</u>	<u>100.0</u>	%

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

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, 2003, 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.

The loan receivable at December 31, 2003, represents revolving loans made to private enterprises under the United States Department of Housing and Urban Development Community Development Block Grant Program. The loans are due on February 21, 2015 and January 1, 2018 and bear interest rates of 5%. The loans are administered by the Portage Area Development Corporation.

A summary of the items of intergovernmental receivables follows:

	<u>Fund</u>	<u>Amount</u>
General		\$ <u>235,856</u>
Special Revenue:		
Street Construction		217,790
State Highway		18,024
Permissive		7,428
Education and Enforcement		8,448
Police Pension		<u>16,486</u>
Total Special Revenue		<u>268,176</u>
Debt Service:		
General Bond Retirement		<u>17,128</u>
Grand Total		<u>\$ 521,160</u>

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

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.

9. FIXED ASSETS

The prior year fixed asset balances were restated based on the results of a physical inventory. Increases were as follows: Land \$127,358, Land Improvements \$538,810, Buildings \$1,667,750, Furniture and Equipment \$144,450, and Vehicles \$739,147. A summary of the changes in general fixed assets during 2003 follows:

	Restated <u>01/01/03</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/03</u>
Land and improvements	\$ 1,332,785	\$ -	\$ -	\$ 1,332,785
Buildings	5,843,340	-	-	5,843,340
Furniture and equipment	2,411,836	108,428	-	2,520,264
Vehicles	<u>3,179,824</u>	<u>254,479</u>	<u>(153,880)</u>	<u>3,280,423</u>
Total	<u>\$ 12,767,785</u>	<u>\$ 362,907</u>	<u>\$ (153,880)</u>	<u>\$ 12,976,812</u>

A summary of the enterprise fund's fixed assets at December 31, 2003 follows:

Equipment	\$ 554,978
Vehicles	67,001
Underground Piping	7,669,128
Construction in Progress	<u>33,776</u>
	8,324,883
Less: Accumulated Depreciation	<u>(2,945,849)</u>
Net Fixed Assets	<u>\$ 5,379,034</u>

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$ 231,364, \$ 229,888, and \$228,360 respectively; 87.92 percent has been contributed for 2003 and 100 percent for 2002 and 2001. The City and plan members did not make any contributions to the member-direct plan for 2003.

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 defined benefit pension plan. 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 are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2003, 2002, and 2001 were \$207,296, \$154,339, and \$152,966 respectively, equal to the required contributions for each year. The full amount has been contributed for 2002 and 2001. 85.07 percent has been contributed for 2003 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, 2003
(Continued)**

11. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System (OPERS):

Ohio Public Employees Retirement System (OPERS) 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 OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate was 13.55% of covered payroll; 5% was the portion that was used to fund health care for the year 2003.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4% annually.

All investments are carried at market value. 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.

The number of active participants was 364,881. The City's actual contributions for 2003 which were used to fund postemployment benefits were \$135,301.

The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

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

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

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

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 7.75% of covered payroll was applied to the postemployment health care program during 2003. 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 2003 that were used to fund postemployment benefits were \$125,887 for police and fire. The OP&F's total health care expenses for the year ended December 31, 2002, (the latest information available) were \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 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, 2003, the liability for compensated absences was \$299,354 for the entire City.

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.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

14. ACCOUNTABILITY AND COMPLIANCE

A. Ohio Revised Code Section 5705.40 provides that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The City passed 10 appropriations amendments; however none of the 10 amendments were submitted to the County Budget Commission or entered into the City's accounting system.

B. Ohio Rev. Code Section 5705.36 – provide in part that all subdivisions may request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Fund	Fund Type	Amended Certificate	Actual Revenue	Variance
		12/9/2003	12/31/2003	
701	Special Revenue Fund – Police Pension	\$98,221	\$116,481	\$18,260

Actual revenue exceeded estimated revenues for fund 701. The City expended the excess revenues but did not obtain an amended certificate. Appropriations at year end were \$151,500 and expenditures were \$149,788. The City appropriated and expended the excess revenue thus an increased amended certificate should have been obtained.

A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The City had the following variances:

Fund	Fund Type	Amended Certificate	Actual Revenue	Variance	Amount below appropriation level
		12/9/2003	12/31/2003		
201	SCMR	\$570,500	\$524,712	\$(45,788)	\$7,565
203	Permissive	131,200	123,865	(7,335)	6,211
205	Recreation	151,575	124,370	(27,205)	29,743
206	Street Lighting	55,000	10,000	(45,000)	42,942
215	Convention & Visitors	200,000	135,523	(64,477)	62,509
217	Senior Fund	2,000	452	(1,548)	1,220
704	Revolving Loan	36,000	13,327	(22,673)	87,759
					\$237,949

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

14. ACCOUNTABILITY AND COMPLIANCE (Continued)

The City should have obtained an amended certificate reflecting the actual revenues they received. The above noted variances between estimated and actual revenues also reduced total available resources below the level of appropriation.

- C. Ohio Rev. Code Section 5705.41 (D)**, states no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached

The City did not always encumber funds at the time of the commitment. We noted 20% of the expenditures tested were not properly encumbered. Incurring obligations prior to the fiscal officer's certification could result in the City spending more than appropriated.

- D. Ohio Rev. Code Section 5705.41 (B)** Requires that no subdivision or taxing unit is to expend money unless it has been appropriated. It was noted that the City had expenditures exceeding appropriations at December 31, 2003.

Fund	Fund Type	Appropriations	Expenditures	Variance
Special Revenue Funds				
208	Education and Enforcement	8,000	17,649	(9,649)
216	Dar Grant	1,999	5,787	(3,788)
Debt Service				
302	Special Asses. Bond Retirement	46,000	52,727	(6,727)
Capital Project Fund				
401	Capital Improvement	1,134,672	1,616,188	(481,516)
402	Fire and Ambulance	281,341	378,755	(97,414)
404	Issue II	22,698	429,683	(406,985)
Enterprise Fund				
501	Water Operating	1,433,601	1,718,580	(284,979)

15. FUND DEFICTS

As of December 31, 2003, 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:

Fund	Deficit
Convention and Visitors special revenue fund	(526)

16. INTERFUND TRANSACTIONS

Interfund balances as of December 31, 2003, consist of the following individual fund receivables and payables:

Fund	Receivable	Payables
General	\$70,000	\$ 0
Street Construction Special Revenue Fund	0	70,000

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

17. DEBT OBLIGATIONS

Long-term debt outstanding at December 31, 2003 consisted of the following issues:

	Balance <u>1/1/03</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/03</u>
<u>ENTERPRISE FUND</u>				
8.97% OWDA Loan, due through 2005	\$ 175,643	\$ -	\$ (53,596)	\$ 122,047
7.65% OWDA Loan, due through 2006	36,352	-	(8,109)	28,243
0% OPWC Loan, due through 2009	106,343	-	(16,360)	89,983
0% OPWC Loan, due through 2008	<u>-</u>	<u>50,000</u>	<u>(5,000)</u>	<u>45,000</u>
TOTAL ENTERPRISE DEBT	<u>318,338</u>	<u>50,000</u>	<u>(83,065)</u>	<u>285,273</u>
 <u>GENERAL LONG-TERM</u>				
<u>OBLIGATIONS ACCOUNT GROUP</u>				
9.125%, 1985 Ethan Avenue				
Special Assessments Bonds,				
due through 2005				
	12,000	-	(4,000)	8,000
10.875%, Frost waterline, State Road				
Waterline, Ranch Road Waterline				
Special Assessments Bonds,				
due through 2004				
	<u>60,000</u>	<u>-</u>	<u>(30,000)</u>	<u>30,000</u>
Total Special Assessments Bonds	<u>72,000</u>	<u>-</u>	<u>(34,000)</u>	<u>38,000</u>
 2002 2.45% Bond Anticipation Notes				
	1,280,000	-	(1,280,000)	-
2003 2.45% Bond Anticipation Notes				
	<u>-</u>	<u>1,280,000</u>	<u>-</u>	<u>1,280,000</u>
Total Bond Anticipation Notes	<u>1,280,000</u>	<u>1,280,000</u>	<u>(1,280,000)</u>	<u>1,280,000</u>
 3.90% to 5.55%, 1999 Various				
Purpose General Obligations Bonds,				
due through 2019				
	4,550,000	-	(230,000)	4,320,000
0% OPWC Loan, due through 2010				
	95,000	-	(15,000)	80,000
0% OPWC Loan, due through 2017				
	87,453	-	(6,031)	81,422
0% OPWC Loan, due through 2014				
	-	150,000	-	150,000
Tax Incremental Financing Agreement				
	-	2,204,109	-	2,204,109
Capital Leases				
	728,162	90,000	(155,298)	662,864
Compensated Absences				
	231,718	214,769	(164,472)	282,015
Due to Other Governments				
	<u>28,095</u>	<u>34,490</u>	<u>(28,095)</u>	<u>34,490</u>
TOTAL GENERAL LONG TERM DEBT	<u>7,072,428</u>	<u>3,973,368</u>	<u>(1,912,896)</u>	<u>9,132,900</u>
TOTAL ALL LONG-TERM DEBT	<u>\$ 7,390,766</u>	<u>\$ 4,023,368</u>	<u>\$(1,995,961)</u>	<u>\$ 9,418,173</u>

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

17. DEBT OBLIGATIONS (Continued)

Enterprise fund 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, 2003 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, 2003 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 bond anticipation notes were issued to provide financing for several road widening and improvement projects and improvements to a storm water drainage system. The bond anticipation notes are backed by the full faith and credit of the City and are payable from taxes levied on all taxable property of the City.

The City and Streetsboro Crossing Properties, Ltd. (the "Owner") have entered into a Public Improvement Performance Agreement dated January 11, 2001 (the "Public Improvements Agreement") providing among other things, for the construction of Public Improvements and additional public improvements by the Owner and the City has agreed to reimburse the Owner for that portion of cost of the Public Improvements agreed to, solely from service payments in lieu of taxes received by the City with respect to the property, in the amount of \$2,204,109.

The annual requirements to amortize all debt outstanding as of December 31, 2003, including interest payments of \$4,357 for the special assessments bonds, \$17,050 for the loans and \$1,971,512 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>	Tax Increment Financing <u>Agreement</u>	<u>Total</u>
2004	\$ 37,992	\$ 120,045	\$ 460,120	\$ 110,205	\$ 728,362
2005	4,365	136,252	454,320	110,205	705,142
2006	-	68,215	453,050	110,205	631,470
2007	-	57,391	456,065	110,205	623,661
2008	-	52,391	458,240	110,205	620,836
2009-2013	-	143,339	1,981,417	551,028	2,675,784
2014-2018	-	36,108	1,722,205	551,028	2,309,341
2019-2020	-	-	306,095	551,028	857,123
Total	\$ 42,357	\$ 613,741	\$ 6,291,512	\$ 2,204,109	\$ 9,151,719

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

18. CAPITAL LEASES

In a prior year the City entered into capital leases for the acquisition of a dump truck, a fire truck, and eight vehicles. During the year ended December 31, 2003, the City entered into a new capital lease agreement for the acquisition of a dump truck. 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, 2003:

Fiscal Year Ending <u>December 31</u>	<u>Lease Payments</u>
2004	\$ 201,950
2005	135,931
2006	119,134
2007	100,967
2008	80,326
2009-2010	<u>160,653</u>
Total minimum lease payments	798,961
Less: Amount representing interest	<u>(136,097)</u>
Present value of net minimum lease payments	<u>\$ 662,864</u>

19. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains one enterprise fund, which is intended to be self-supported through user fees charged for services provided to consumers. Financial information as of and for the year ended December 31, 2003, is as follows:

	<u>Water Fund</u>
Operating revenues	\$ 1,602,215
Depreciation expense	346,461
Operating loss	77,889
Nonoperating revenue	863,964
Nonoperating expenses	13,974
Net income	772,101
Fixed asset additions	1,114,473
Net working capital	1,605,983
Outstanding long-term liabilities	285,273
Total assets	7,089,934
Total equity	6,699,744
Encumbrances at December 31, 2003	\$ 85,654

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

20. 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.

21. RESTATEMENT OF PRIOR YEAR BALANCES

Following the close of the previous year, an error was detected in the reporting of debt service payments. \$61,596 of debt service payments were recorded in an incorrect fund.

Due to this error, a restatement of beginning balances is necessary. The restatements are as follows:

	Debt Service	Capital Projects
Fund balance		
as previously stated December 31, 2002	\$ 464,349	\$ 1,201,409
Prior year restatements	(61,596)	61,596
Restated January 1, 2003	\$ 402,753	\$ 1,263,005

Following the close of the previous year a number of errors in recording budgetary revenues, expenses and prior period adjustments were detected.

Due to these errors, restatements of budgetary beginning balances are necessary. The restatements are as follows:

	General Fund	Special Revenue	Debt Service	Capital Projects	
Fund balance as previously					
December 31, 2002	\$ 1,007,834	\$ 497,575	\$ 370,751	\$ 2,168,636	
Prior year restatements	(13,840)	6,114	3,002	(3,015)	
Restated January 1, 2003	\$ 993,994	\$ 503,689	\$ 373,753	\$ 2,165,621	

22. SUBSEQUENT EVENTS

In July 2004, the City issued \$925,000 in bond anticipation notes. \$325,000 will be used for land acquisitions along State Route 43 and \$600,000 will be used for paving to widen State Route 43 from Seasons Road to Evergreen Drive and the addition of a turning lane on to State Route 14.

Also, in July 2004, the City issued \$230,000 in bond anticipation notes. \$100,000 will be used for land acquisitions along State Route 303 and \$130,000 for the realigning and widening of the intersection at State Route 303, Mount Vernon Drive and Superior Avenue.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

In addition, in July 2004, the City issued \$125,000 in bond anticipation notes to finance improvements to the City's storm water drainage system at Vantage Point, Frost Road and Meldon Drive.

Finally, the City entered into a loan agreement with the Ohio Water Development Authority for a waterline extension project in the amount of \$610,000 with an interest rate of 5.01%. The first payment date is July 1, 2005 and will be repaid over 29.5 years.

The City has two potential loan obligation projects that have been approved by Council and Ohio Public Works, which are State Route 43 turn lane improvements for \$200,000 and Frost Road curb drainage upgrade for \$150,000. However, as of the date of this report the City has decided to defer these projects.



Auditor of State Betty Montgomery

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

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

We have audited the financial statements of the City of Streetsboro, Portage County (the City) as of and for the year ended December 31, 2003 and have issued our report thereon dated May 23, 2005 which was qualified due to the lack of supporting documentation maintained by the City for their debit liability. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2003-001 through 2003-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Streetsboro in a separate letter dated May 23, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items, 2003-001, 2003-002 and 2003-008 through 2003-017.

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www.auditor.state.oh.us

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. We considered item 2003-008 listed above to be 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 May 23, 2005.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 23, 2005

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-001
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Finding for Recovery

American Federation of State County and Municipal Employees contract agreement, Article 40 Injury Duty Leave Section 40.3 states, "upon receipt and approval of the employee application, the employer shall place the employee on injury leave, retroactive to the first day the employee was unable to report to work as a result of the injury Section 40.3 (A) provides, "When Worker's Compensation begins making payment, the employee shall submit all payments received, to the Employer as payment in full".

Mr Sesso was a prior union employee of the Finance Director's office in charge of accounts payable. Mr Sesso filed a claim against workers compensation for an injury sustained on January 21, 2003. The City challenged his claim and Workers Compensation requested a hearing for his claim. Mr Sesso hired an attorney to represent him at this hearing and was awarded payment for his injuries.

When Mr Sesso received his worker's compensation payment, check dated 7/15/03 for \$272.86, he did not submit the payment in full to the City. Instead he submitted only \$157.91 to the City and gave the remaining amount of \$114.95 to his attorney for legal fees incurred for legal representation at a worker's compensation hearing he was requested to attend.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mr. Richard Sesso, in the amount of one hundred fourteen dollars and ninety five cents (\$114.95) and in favor of the City of Streetsboro, General Fund.

Finding Number	2003-002
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Finding for Recovery

City Ordinance Number 2000-179, amended Section 339.08 of the codified ordinances of the City of Streetsboro regarding tracking mud and codified ordinance section 339.08(c) was amended to state:

The owner of real property being developed and/or the developer together with any contractor and/or subcontractors on the development site; shall be jointly and severally responsible for maintaining the condition of the public right of way at or near the ingress and egress points or locations(s) utilized by said owner, developer, contractor or subcontractor as a means of ingress or egress to public rights of way.

The owner, developer, contractor and subcontractor shall maintain all rights of way accessing, abutting or adjacent to the right of way, at or near their construction site, in repair and free from nuisance, debris and mud.

To assure compliance with the provisions hereof either the owner or the developer of a commercial business or industrial development site shall post a cash bond or irrevocable letter of credit on the City's approved form in the amount of \$2,500 and the owner or developer of a residential dwelling unit shall post a cash bond or irrevocable letter of credit on the City's approved form in the amount of \$500 per unit, subject to a maximum of \$2,500 for all units, each to be held as a guaranty of his, her, their or its covenant to keep the public right of way free from nuisance,, debris and mud.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-002 – (Continued)
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Finding for Recovery – Reportable Condition – (Continued)

Hearthstone Builder Corp. place a five hundred dollar (\$500) cash bond in escrow with the City of Streetsboro for the 70 Diamond Blvd project. Once the project is completed the contractor will notify the Engineering Department for the inspection of the site and request a refund for the escrow amount.

The Engineering Department authorized two refund payments for the same project, each in the same amount of five hundred dollars (\$500) to Hearthstone Builders Corps. The payments were issued on 1/16/03 and 6/17/2003.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mr. William Rudlosky and Hearthstone Builder Corp jointly and severely in the amount of five hundred (\$500) and in favor of the City of Streetsboro, Agency Fund. This finding was repaid to the City prior to the release of this report.

Finding Number	2003-003
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Noncompliance Citation – Budgetary - Amending or supplementing appropriations

Ohio Revised Code Section 5705.40 provides that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The City passed 10 appropriations amendments; however none of the 10 amendments were submitted to the County Budget Commission or entered into the City's accounting system.

We recommend the City ensure the Director of Finance is submitting all appropriation amendments to the County Budget Commission as approved and enter this financial information into their system.

Finding Number	2003-004
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Noncompliance Citation – Budgetary Amended Certificates

Ohio Rev. Code Section 5705.36 – provide in part that all subdivisions may request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-004 - (Continued)
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Noncompliance Citation – Budgetary Amended Certificates - (Continued)

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

<u>Fund</u>	<u>Fund Type</u>	<u>Amended Certificate 12/9/2003</u>	<u>Actual Revenue 12/31/2003</u>	<u>Variance</u>
701	Special Revenue Fund – Police Pension	\$98,221	\$116,481	\$18,260

Actual revenues exceeded estimated revenues for fund 701. The City expended the excess revenues but did not obtain an amended certificate. Appropriations at year end were \$151,500 and expenditures were \$149,788. The City appropriated and expended the excess revenue thus an increased amended certificate should have been obtained.

A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The City had the following variances:

<u>Fund</u>	<u>Fund Type</u>	<u>Amended Certificate 12/9/2003</u>	<u>Actual Revenue 12/31/2003</u>	<u>Variance</u>	<u>Amount below appropriation level</u>
201	SCMR	\$570,500	\$524,712	\$(45,788)	\$7,565
203	Permissive	131,200	123,865	(7,335)	6,211
205	Recreation	151,575	124,370	(27,205)	29,743
206	Street Lighting	55,000	10,000	(45,000)	42,942
215	Convention & Visitors	200,000	135,523	(64,477)	62,509
217	Senior Fund	2,000	452	(1,548)	1,220
704	Revolving Loan	36,000	13,327	(22,673)	87,759
					\$237,949

The City should have obtained an amended certificate reflecting the actual revenues they received. The above noted variances between estimated and actual revenues also reduced total available resources below the level of appropriation.

CITY OF STREETSBORO
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)

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

Finding Number	2003-004 - (Continued)
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Noncompliance Citation – Budgetary Amended Certificates - (Continued)

We recommend the City monitor budgeted and actual revenue and obtain increased or decreased amended certificates as needed.

Finding Number	2003-005
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Noncompliance Citation – Certification of the Availability of Funds

Ohio Rev. Code Section 5705.41 (D), states no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract 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 encumbrances.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D) (1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made "then" at the time that he is completing his certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 (\$1,000 prior to April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-005 - (Continued)
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Noncompliance Citation – Certification of the Availability of Funds - (Continued)

3. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The City did not always encumber funds at the time of the commitment. We noted 20% of the expenditures tested were not properly encumbered. Incurring obligations prior to the fiscal officer’s certification could result in the City spending more than appropriated.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City’s funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the City. When prior certification is not possible, “then and now” certification should be used.

We recommend the City certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the City incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Finding Number	2003-006
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Noncompliance Citation – Restrictions on the appropriation and expenditure of money

Ohio Rev. Code Section 5705.41 (B) Requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

The City had expenditures and commitments in excess of appropriations for the following:

<u>Fund</u>	<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Special Revenue Funds				
208	Education and Enforcement	8,000	17,649	(9,649)
216	Dar Grant	1,999	5,787	(3,788)
Debt Service				
302	Special Asses. Bond Retirement	46,000	52,727	(6,727)

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-006 (Continued)
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Noncompliance Citation – Restrictions on the appropriation and expenditure of money (Continued)

Capital Project Fund			
401	Capital Improvement	1,134,672	1,616,188 (481,516)
402	Fire and Ambulance	281,341	378,755 (97,414)
404	Issue II	22,698	429,683 (406,985)
Enterprise Fund			
501	Water Operating	1,433,601	1,718,580 (284,979)

We recommend the City monitor budgetary activity to ensure expenditures do not exceed appropriations. The City should identify inadequacies within the budget, amend accordingly, and submit all amendments to the County Budget Commission.

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

Finding Number	2003-007
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Noncompliance Citation - Failure to Perform Duties - Director of Finance (Fiscal Year 2003)

The City Charter Article VI Department of Finance Section 6.05 Accounting Procedures and Budgetary Control states “The Director of Finance shall establish and maintain accounting procedures necessary for keeping complete financial records of assets and liabilities, receipts and disbursement, and property records of the Municipality, and each of its offices, departments, boards, and commissions. He shall keep separate accounts of the items of appropriation in the budget, each of which shall show the amount of appropriation, and the amounts paid there from, the unpaid obligations against it, and the unencumbered balance. Such accounting procedures and financial records shall be adequate in form and in such detail as necessary for making such statements as may be required by the Charter, by Council, or by the Bureau of Inspection and Supervision of Public Offices.”

The Director of Finance did not properly oversee the fiscal affairs of the City in the following manners, which resulted in increased audit time and cost to the City:

1.	Providing and Monitoring accurate Budgetary Data	Finding Number 2003-003 – 2003-004
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**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-007 - (Continued)
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**Noncompliance Citation - Failure to Perform Duties - Director of Finance (Fiscal Year 2003)
(Continued)**

2.	Ensure monthly bank reconciliation were performed in a timely manner – The City sustained \$960 in overdraft fees	Finding Number 2003-010
3.	Inputting/updating of the accounting system with significant financial data in a timely manner	Finding Number 2003-011 – 2003-012
4.	Monitor and track State and Federal funds on behalf of the City	Finding Number 2003-015
5.	Maintaining accurate/complete debt information	Finding Number 2003-016

We also noted during our review of the finance committee and council minutes, financial information/reports were presented, approved and used to make financial decisions, however these reports were incorrect and not complete due to the deficiencies noted above.

If the financial data is not accurately and timely entered into the accounting system the financial reports generated from the system will not be complete and accurate. As a result, Council will not be fully informed to make financial decisions in the City's best interest, and may not be aware of the amount of money available for future expenses.

We recommend financial data be timely and accurately entered into the accounting system. Council and the Mayor should receive at minimum the following monthly reports:

A copy of the monthly bank reconciliations (including copies of the bank statements)

A copy of the fund balance report showing beginning balance, monthly receipts, monthly disbursements and ending fund balance)

A copy of warrant register - made available for review.

A comparison of actual revenue vs. estimated revenue year to date report

A comparison of total appropriations vs. actual expenditures year to date report

This will help keep Council informed of the financial status of the City, aid in monitoring the finances, and help in making financial decisions.

CITY OF STREETSBORO
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)

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

Material Weakness:

Finding Number	2003-008
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Debt:

Based on the condition of the City's financial records it was difficult to determine the City's actual debt. During the final phase of the audit it was brought to our attention by the Portage County Auditor that the City had a Tax Increment Financing (TIF) agreement.

On October 2, 2000 the City passed ordinance 2000-146 approving a TIF agreement. The minutes reflecting this ordinance authorizes the agreement but does not specify the liability and/or payments the City must make to the owner for \$2,204,109 . This agreement was for the City and the owner to enter into an agreement to provide among other things, for the construction of the Public Improvements and additional public improvements by the owner and the City has agreed to reimburse the owner for that portion of the costs of the Public Improvements described in the agreement solely from service payments in lieu of taxes received by the City. On January 11, 2001, this agreement was signed by the prior Mayor, prior Law Director and, prior Director of Finance. On July 18, 2002 the City Law Director had provided Council and the prior Mayor with an overview of the financing agreement. In both the contract and this memo it indicates the City has an agreement to pay the owner \$2,204,109. This debt was not carried on the City's ledgers and/or financial statements. Because of this the 2002 financial statements were understated by this amount and the 2003 financial statements have been adjusted by the City.

We also noted the City's ledgers reflected a \$5,000 loan payment made in December 2003 to Ohio Public Works Commission (OPWC). The payment voucher and debt note disclosure indicated that the \$5,000 loan payment was for the OPWC Loan No# CG21C. Based on the confirmation from OPWC we noted the \$5,000 loan payment disbursed in December 2003 was for the OPWC Loan No# CG08E. This debt was not noted on the City's debt obligation note disclosure, and the City's Finance department had no knowledge of this debt obligation until it was brought to their attention.

Three other loans were not reflected on the City's debt obligation note disclosure nor was the information concerning these obligation presented for audit (OPWC Loan No# CG09F, OPWC Loan No# CG09C and OPWC Loan No# CG22H). These loans were disclosed to us from a third party confirmation from OPWC. The City's Finance Department had no knowledge or documentation for these loans. Through inquiry with the City Engineering Department, we were given an Issue II Summary report which showed information pertaining to these loans. Since these projects were not completed and payment date was not determined, they did not view these as debt obligations. This information should have been submitted to the Finance Department since the Finance department is responsible for the monitoring and reporting the overall financial condition of the City.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-008 (Continued)
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Debt: (Continued)

Because these debts were not reflected on the City's financial statements nor reported to the audit team by the City, we are unable to determine if these financial statements reflect all debt for the City other than what has been reported.

We recommend the City review it's prior minutes, agreements and contracts to insure all debt has been properly reported on the City's financial statements. The minutes should reflect not only the approval of the contracts and/or agreements but should specify the amount of liability the City is approving.

Reportable Conditions:

Finding Number	2003-009
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Recommendation - Shared Financial Information – Reportable Condition

In order for the City to make informative financial decisions the City must have accurate financial information. Within the last six years (1998 through 2003) the City has had a high turn over in the Finance Director's position. The City's ability to maintain pertinent financial information that should be past on to the successor finance director has been affected by this high turn over. Also we noted that individual departments are maintaining critical financial information which is not submitted to the finance department or being shared with the new Director of Finance and Mayor.

The City had material debt obligations which the current Mayor, some members of Council and Director of Finance had no knowledge of and as a result this information was not disclosed on the financial statements or provided to the audit team. Prior Council and various departments had knowledge of some of these debts but did not disclose this information to the current Director of Finance, Mayor and audit team. This information should have been maintained within the finance department.

We recommend all contracts, agreements and financial information pertaining to the City should be submitted to the Director of Finance. The financial information should be monitored and disclosed on the ledgers and financial statements of the City. This will help to ensure all pertinent financial information is properly accounted for and included within the debt schedules of the City.

Finding Number	2003-010
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Recommendation - Monthly Bank Reconciliations/ Stale Checks – Reportable Condition

All bank accounts should be reconciled to the City's financial accounting system on a monthly basis to ensure completeness and accuracy over transactions and to ensure the accuracy of checks clearing the bank.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-010 – (Continued)
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Recommendation - Monthly Bank Reconciliations/ Stale Checks – (Continued)

The City did not perform monthly bank reconciliations on its various bank accounts including the payroll account. The books were only reconciled twice during 2003, in which a six month period was reconciled at a time (January to June and July to December). These reconciliations were performed by an outside CPA firm.

Although these reconciliations were performed the following weaknesses were noted:

- The City had \$369,932 reflected on the year end bank reconciliation (December) as outstanding deposits which was 2004 revenue resulting in an overstatement of the ending fund balances. The following adjustments were required and are reflected in the financial statements.

	Fund Balance Before Adjustment	Adjustment	Fund Balance After Adjustment
001 General Fund	\$785,540	\$(309,237)	\$476,303
205 Recreation Fund	8,937	(185)	8,752
303 Police Station Bond Retirement Fund	127,724	(11,507)	116,217
405 Recreation Center Construction	367,611	(7,671)	359,940
401 Capital Improvement	167,127	(38,356)	128,771
501 Water Operating Fund	664,008	(2,976)	661,032

- The City's bank balance at year end agreed in total with the City's Fund Balance Report, however, funds 407 and 704 did not agree to their individual bank statement. The City's prior audit noted the same exceptions.

Fund	Bank Statement (12-31-03)	Fund Balance Report 12-31-03	Difference
407 State Route 43 Widening	\$ 2,312	\$214,240	\$211,928
704 Revolving Loan	157,691	9,065	148,626

- The System Bank Report at year end, which shows a listing of the various bank accounts and dollar amount of monies in these accounts, agreed in total to the year end bank reconciliation, however, the individual bank accounts listed on the report did not agree to the year end bank statements and this report was not reconciled at all during 2003 to the bank statements.
- The City also had numerous stale checks dated back to 2001 listed on the outstanding check list for the Payroll and General account. The Payroll account stale checks made up 9.42% of the total outstanding checks and the General account stale checks made up 5% of the total outstanding checks.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-010 – (Continued)
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Recommendation - Monthly Bank Reconciliations/ Stale Checks – (Continued)

We recommend the following:

- The Finance Director’s Office should perform all reconciliations of the City’s bank accounts. The Finance Director should review the discrepancies noted between the Fund Balance Report and System Bank Report and make the necessary adjustments as needed to insure these reports are reconciled monthly to the bank statements.
- The Director of Finance should sign or initial the reconciliation between the system and the bank.
- Any differences between the book and bank balances should be documented with supporting documentation.
- The finance committee should receive a copy of the completed monthly bank reconciliations, for review and approval and should be made aware of any unreconciled differences noted in the reconciliations.
- We also recommend the City develop written policy guidelines to aid it in accounting for outstanding stale dated checks in a proper manner, which should include proper accounting treatment for unclaimed monies and a timeline established in the policy for when monies are to be classified as unclaimed monies.

Finding Number	2003-011
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Recommendation – Budgetary Updating of Accounting System – Reportable Condition

Ohio Administrative Code 117-2-02 (C))(1) Accounting and reporting records, states, in part, all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The City did not enter their receipts and appropriations into the system accurately. The Finance Director did not update the system as budgetary amendments were approved by Council. The budget amounts entered into the system should agree to the last certificate of estimated resources certified by the County Budget Commission, and the appropriations passed by the City Council. Because of this, the City was not fully aware of their budgetary status at all times.

To enhance controls we recommend all budgetary information, approved by the County Budget Commission, should be recorded to the system accurately and timely and monitored by the Finance Committee.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-012
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Recommendation - Overall Receipt Posting/Updating of Computer System – Reportable Condition

The City has a chart of accounts with detailed explanations to ensure receipts and disbursements are posted to the appropriate revenue and expenditure source code, however, the following weaknesses were noted:

- It was noted property taxes, various intergovernmental receipts, deposits held and due to others and debt payments were not posted to the correct account codes. The City has adjusted their financial statements for all the material errors noted.
- We noted the City had 20 to 30 unexplained adjustments made to their ledgers (per the Receipt/Revenue Year To Date Report) each month with no supporting explanations or documentation. We also noted revenues, which are directly deposited to the City’s bank accounts, were not posted to the ledgers for up to six months. These unexplained adjustments and lack of timely postings resulted in inaccurate or incorrect financial statements requiring an increase in audit costs.
- The City also received on-behalf grants and loans from the Ohio Public Works Commission (OPWC). On-behalf grants represent monies in which the State receives the monies and makes payments to the contractor(s) on behalf of the City. The State will then notify the City’s Finance Department of the amount received and disbursed. These amounts were not posted as revenues to the accounting system.

We also noted an instance where the City received a check from FEMA which was not deposited. FEMA cancelled the check and the City had to resubmit its claim for payment.

We recommend the City develop control procedures to insure all monies received are deposited timely by the Director of Finance. This can be done by ensuring the City is reconciling their receipts received to the deposits made to the accounts posted. The City needs to provide adequate training to its staff in utilizing their chart of accounts. The City should also ensure all receipts and expenditures are recorded timely and accurately to the system. Any adjustments made to the system should be supported with adequate documentation and explanation.

Implementation of these recommendations will help strengthen the controls over financial accounting and reporting.

Finding Number	2003-013
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Recommendation - Deposits Held And Due To Others – Reportable Condition

The line item “deposits held and due to others” is the City’s Escrow Fund 702, which primarily accounts for two types of cash escrow deposits: (1) Mud Bond deposits from contractors, and (2) Contractor Escrow deposits for project review fees and performance or maintenance bonds.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-013 – (Continued)
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Recommendation - Deposits Held And Due To Others – (Continued)

Prior audits for 2001 and 2002 revealed discrepancies within Fund 702 balances. Revenue and expenditure transactions for contractor deposits fees and mud bonds deposits were not receipted in and expensed from the proper fund and the specific dollar amount for which these funds were collected could not be identified.

However, the 2003 reconciliation of this fund balance to the detail of Mud Bond and Contractor Escrow receipts revealed a significant deficiency in fund balance. Total estimated Mud Bond deposits of \$80,284 plus total estimated Contractor Escrow Deposits of \$116,037, totaling \$196,321, was significantly greater than the available balance of \$74,208 noted within this fund. This deficiency is a result of mispostings in 2003 for Contractor Escrow Deposits of \$28,800 and also numerous mispostings for both Mud Bonds and Contractor Escrow Deposits for prior years of \$93,313.

Adjustments have been made to the 2003 financial statements and the City's books to correct errors in posting of the 2003 receipts and the deficiency of \$93,313.

We recommend the City institute procedures to insure all all Mud Bonds and Escrow deposits are properly accounted for on the City's accounting system.

Master List Escrow Deposits

The City Engineering Department is responsible for receiving all deposits and maintaining detailed records for these receipts. However, they do not maintain a master listing of all contractor escrow deposits held by the City.

The City should maintain a detailed master list of all contractor escrow deposits and associated reductions and/or refunds. This master listing should be reconciled on a monthly basis to deposits on hand.

We also recommend all revenues should be deposited with the Finance Department. All collections should be referred to the finance department for receipting, posting and escrow purposes. Implementing these controls will help the City provide proper accountability over their escrow accounts.

Finding Number	2003-014
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Recommendation - Posting of Cobra Benefits Receipts – Reportable Condition

The City receives funds from Cobra for each employee and in turn uses those funds to send payment to the City's insurance carriers. The City was posting these Cobra receipts to City Escrow Fund 702. However, there is no receipt code designation for these types of receipts and thus they are being receipted into the same account as revenues for contractor escrow review fees. Also, when the related insurance payment is made for the individual employee receiving Cobra benefits, this amount is charged

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-014 (Continued)
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Recommendation - Posting of Cobra Benefits Receipts (Continued)

to the same expenditure code as payments against the contractor escrow review fees. Co-mingling of these receipts and expenditures in the same account does not allow for accurate reconciliation and reporting of each balance.

We recommend the City use separate receipt and disbursement codes for each separately distinguishable type and/or source of receipts.

Finding Number	2003-015
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Recommendation - State and Federal Funds: – Reportable Condition

In the initial phase of the audit, we noted funds were established for State and Federal grants awarded to the City, however, no activity was posted to the funds. The City was unable to disclose what State and Federal funds were received and the City was unaware of what programs had been awarded to the City or “on behalf” of the City. Also, City administrators were unable to identify the amount of revenues received and/or disbursed. Not recording these projects and on behalf transactions misstated the City’s financial condition. The financial statements have been adjusted to reflect the revenues received and any on behalf revenues and expenditures made for the City.

We recommend Council approve all State and Federal Programs awarded to the City by a formal resolution. Formal approval of these programs should also include: fund designation and coordinator. By establishing fund designation this will provide accurate financial information on each project. The Grant Coordinator should be someone knowledgeable of the grant requirements. Some of the Grant Coordinator duties should include, but not be limited to, monitoring of the program to ensure the grant requirements are being followed; assignment as the contact person between the Grantor and the City; approval of the disbursements; monitoring grant budgets, and keeping the Director of Finance informed of all financial matters in relation to the programs awarded.

Implementation of these recommendations may help strengthen the controls over financial reporting and assist the City in the tracking and monitoring of state and federal awarded programs

Finding Number	2003-016
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**Recommendation - Debt Repayment Terms: – Reportable Condition
Posting of Debt – Principal and Interest**

Throughout 2003 the City was inconsistent in posting principal and interest payments on various debt issues. Some payments were posted in the correct accounts but were not recorded in the correct breakdown portions between the principal and interest. Some payments were not posted to the proper fund or account and no detail or explanation was available to determine why.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-016 (Continued)
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Recommendation - Debt Repayment Terms: (Continued)

Posting of Debt – Principal and Interest (Continued)

Extensive testing and reconciliation of all payments was needed to determine the effect of the errors on the financial statements. Although some errors are material to each applicable fund, it appears the total differences within fund types (e.g. General, Debt Service, Capital Project, etc.) are not significant to the financial statements. The City has elected to make the following adjustments to the City's financial statements

	Unaudited Amount	Adjustment	Audited Amounts
General Fund			
Principal Retirement	5,000	(5,000)	0
Debt Service Funds			
FUND 301			
Principal Retirement	130,225	(25,644)	104,581
Interest and Fiscal Charges	135,963	(31,273)	104,690
Fund 302			
Principal Retirement	30,000	4,000	34,000
Interest and Fiscal Charges	6,520	1,099	7,619
Fund 303			
Principal Retirement	119,806	5,613	125,419
Interest and Fiscal Charges	131,163	(5,613)	125,550
Capital Project Funds			
FUND 401			
Principal Retirement	360,000	1,031	361,031
Interest and Fiscal Charges	0	8,694	8,694
FUND 404			
Principal Retirement	(5,000)	20,000	15,000
FUND 407			
Principal Retirement	925,000	(925,000)	0
Interest and Fiscal Charges	0	22,579	22,579
Enterprise Funds			
Fund 502			
Principal Retirement	62,869	(1,164)	61,705
Interest and Fiscal Charges	24,981	(8,293)	16,688
Fund 503			
Principal Retirement	15,196	6,164	21,360

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-016 (Continued)
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Debt Repayment Terms: (Continued)

Posting of Debt – Principal and Interest (Continued)

Not accurately posting principal and interest portions of debt payments, may lead to inaccurate financial reporting.

We recommend the City implement procedures to accurately record principal and interest payments for all debt issues.

The City has various debt issues authorized by City Council but the repayment terms were not specific as to which funds are required to make the payments.

Extensive research and inquiry of the City Finance and Engineering Departments could not objectively determine the proper source of repayment. The City determined the funds to be charged based on prior year payments and reasonableness of funds charged.

We recommend the City implement procedures to specifically identify and document intended sources for repayment of all City debt issues.

Finding Number	2003-017
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Recommendation – Audit Committee – Reportable Condition

As indicated in the “INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL” 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 management’s assertions in the financial statements. The City has received a qualified opinion because we are unable to satisfy ourselves as to additional liability amounts, if any incurred by the City but not reflected in the accompanying financial statements. The City has employed four difference finance directors within the last six years, and received 17 reportable conditions noted in the 2003 audit report and one reportable condition as being material to the financial statements two reportable conditions as being finding for recovery and 19 Management Letter comments. The 2002 audit report included 12 reportable conditions and 11 Management Letter comments. Because of the number of control weakness noted within the 2002 and 2003 audits reports we strongly recommend the City establish an audit committee.

The primary functions of such committee are to monitor and review the City’s accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-017 (Continued)
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Recommendation – Audit Committee (Continued)

The audit committee should be actively involved in:

- Serve as a liaison between management and its auditors.
- Meet with the City’s independent auditors before and after each audit
- Monitoring the progress of the financial and compliance audit;
- Evaluating the results of the financial and compliance audit; and
- Ensuring that the internal control and legal compliance issues identified in the audit are promptly and effectively remedied.

In addition, the audit committee should meet regularly (perhaps quarterly) to monitor the City’s legal compliance, financial condition, and controls over the safeguarding of assets.

The audit committee can include members of Council. However, it can also include representation that is independent from elected officials or management. The committee could include professionals knowledgeable in the City’s financial operations, such as attorneys or bankers.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	ORC 149.43, ORC 121.22 and ORC 731.20 Availability of Public Records Minutes	No	Partially Corrected – Reissued as a Management Letter Comment – <u>Recommendation Number # 10</u>
2002-002	City Ordinance Section 187.08 – Hotel/Motel Bed Taxes	Yes	
2002-003	ORC 5705.41(D) – Certification of Availability of Funds	No	Not Corrected – Reissued as Finding No 2003-005
2002-004	City Ordinances 2001-97 & 2002-151, ORC 735.05, ORC 4115.04 (A) and ORC 153.13 – Contracts	No	Partially Corrected – Reissued as a Management Letter Comment - <u>Citation Number # 6</u>
2002-005	ORC 735.05 and ORC 149.351(A) – Contracts	No	Partially Corrected – Reissued as a Management Letter Comment - <u>Citation Number # 2</u>
2002-006	ORC 5705.39 – Appropriations limited by estimated revenue	No	Partially Corrected – Reissued as a Management Letter Comment - <u>Citation Number # 5</u>
2002-007	ORC 5705.41(B)	No	Not Corrected - Reissued as Finding No 2003- 006
2002-008	Recommendation – Payroll Clearing Account Reconciliation	No	Partially Corrected – Reissued as Finding Number 2003-010
2002-009	Recommendation – Budgetary updating of Computer System	No	Not Corrected – Reissued as Finding Number 2003-011
2002-010	Recommendation – Overall Receipts Posting	No	Not Corrected – Reissued as Finding Number 2003-012
2002-011	Recommendation – Fixed Assets	Yes	
2002-12	Recommendation – Amended Certificate of Estimated Resources	No	Not Corrected – Reissued as Finding Number 2003-004

**CITY OF STREETSBORO
PORTAGE COUNTY
YEAR ENDING DECEMBER 31, 2003**

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The City Law Director has taken action to collect the monies owed to the City per council authorization.	FY 2005	Law Director
2003-002	Amounted owed was paid by Hearthstone Builder Corp.		Law Director
2003-003	All appropriation actions, whether appropriation adjustments, transfers, and increases/decreases are approved by council and entered into the City's accounting system. Appropriation increases are forwarded to the budget commission as required.	FY 2004	Finance Director
2003-004	Request for amended certificate of estimated resources are forwarded to the county budget commission as required.	FY 2004	Finance Director
2003-005	All city purchases require a signed and dated purchase order prior to commitment. All proposed contracts include a line item identification and available appropriation. If appropriation is less than contract/purchase amount the purchase request is returned to the respective department.	FY 2004	Finance Director
2003-006	Each purchase requisition is monitored to ensure appropriate appropriations are available to cover estimated cost. If additional appropriation is required, each department Director must request and appropriation adjustment/transfer prior to final encumbrance.	FY 2004	Finance Director

**CITY OF STREETSBORO
PORTAGE COUNTY
YEAR ENDING DECEMBER 31, 2003**

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-007	All financial activity is posted timely. Reconciliations are performed monthly and the financial records are balanced and closed by the 15 th of the following month. Monthly reports (bank reconciliation, YTD & MTD fund balance reports, receipts and expenses) are submitted to Finance Committee and forwarded to Council by ordinance. Monthly financial reports are maintained in the Finance Department including treasury reconciliation's and system closing reports, with copies of the basic reports forwarded to the Mayor and Finance Committee Chair. Directors are provided with copies of their respective financial activity.	FY 2004	Finance Director
2003-008	The Finance Department created a Debt Analysis Schedule identifying the City's obligation for all long term, short term, and bonded debt as well as capital leases. In addition a debt payment schedule was also created, listing the debt issue, due date and fund to record the required payment, for a particular fiscal year.	FY 2004	Finance Director
2003-009	Copies of all contracts, agreements and financial information pertaining to the City are currently being collected and maintained in the Finance Department.	FY 2005	Finance Director
2003-010	Bank reconciliations are performed monthly and presented to council for review. An internal control policy is currently being developed to address the stale dated check issue.	FY 2004 FY 2005	Finance Director
2003-011	All budgetary information approved by Council is recorded in the accounting system accurately and as approved. When required, such information is submitted to the County Budget Commission.	FY 2004	Finance Director

**CITY OF STREETSBORO
PORTAGE COUNTY
YEAR ENDING DECEMBER 31, 2003**

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-012	The Finance Department has developed and implemented control procedures to insure all monies received are deposited timely, reconciled and posted to the accounting system. All financial activity is posted timely with complete and accurate descriptions. Adjustments are supported with adequate documentation and maintained in a separate folder for easy access and review.	FY 2004	Finance Director
2003-013	The Finance and Engineering departments are currently working on a procedure that will document monies owed currently as well tracing said deposits to ensure they are recorded properly.	FY 2005	Engineering Director Finance Director
2003-014	The Finance Department is currently creating n appropriation and estimated line item (account) to accurately track all Cobra Benefit receipts and payments.	FY 2005	Finance Director
2003-015	All state and federally funded programs are approved by city council. Contracts will be maintained in the finance department and monitoring controls are currently being developed to monitor contractual requirements.	FY 2004 FY 2005	Law Director Engineering Director Finance Director
2003-016	The Finance Department created a Debt Analysis Schedule identifying the City's obligation for all long term, short term, and bonded debt as well as capital leases. In addition a debt payment schedule was also created, listing the debt issue, due date and fund to record the required payment. The finance department developed procedures to specifically identify and document intended resources for repayment of all city debt issues.	FY 2004	Finance Director
2003-017	The Mayor is currently developing an audit committee with suggested policy and procedures as recommended.	FY2005	Mayor's Office Finance Department



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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
JUNE 30, 2005**