

CITY OF STOW, OHIO
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Members of Council
City of Stow
3760 Darrow Rd
Stow, OH 44224

We have reviewed the independent auditor's report of the City of Stow, Summit County, prepared by Gary B. Fink & Associates, Inc., for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 10, 2000

CITY OF STOW, OHIO

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

GENERAL PURPOSE FINANCIAL STATEMENTS

Combined Balance Sheet - All Fund Types
and Account Groups 2

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Funds 4

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
(Budget Basis) - All Governmental Fund Types
and Expendable Trust Funds 6

Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Proprietary Fund Type 10

Combined Statement of Cash Flows - Proprietary Fund Type 11

Notes to the General Purpose Financial Statements 12

Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with *Government
Auditing Standards* 37

Schedule of Findings and Questioned Costs 39

INDEPENDENT AUDITOR'S REPORT

Members of Council
City of Stow
3760 Darrow Road
Stow, Ohio 44224

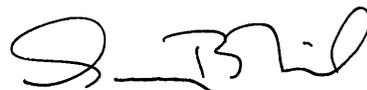
We have audited the accompanying general purpose financial statements of the City of Stow, Ohio, as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Stow, Ohio, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 4 to the general purpose financial statements, the City changed its method of accounting for Internal Revenue Code Section 457 deferred compensation plans for the year ended December 31, 1999, as required by the provisions of Governmental Accounting Standards Board Statement No. 32.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

June 26, 2000

City of Stow, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,574,887	\$664,896	\$0	\$4,721,942
Investments in Common Stock	14,408	0	0	0
Receivables:				
Taxes	3,753,936	2,034,778	0	0
Accounts	48,879	0	0	0
Interfund	0	0	0	309,000
Special Assessments	0	1,697	0	0
Intergovernmental	24,468	274,111	0	133,190
Materials and Supplies Inventory	56,281	254,874	0	0
Advances to Other Funds	0	0	0	133,994
Fixed Assets, (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$7,472,859	\$3,230,356	\$0	\$5,298,126
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$74,266	\$118,986	\$0	\$53,056
Interfund Payable	0	0	0	309,000
Accrued Wages and Benefits	197,239	5,513	0	0
Compensated Absences Payable	56,213	30,000	0	0
Intergovernmental Payable	242,537	251,493	0	0
Deferred Revenue	3,685,119	332,538	0	0
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Land Purchase Agreement	0	0	0	0
Advances from Other Funds	0	69,894	0	64,100
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	4,255,374	808,424	0	426,156
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	182,218	31,998	0	555,884
Reserved for Inventory	56,281	254,874	0	0
Reserved for Common Stock	14,408	0	0	0
Reserved for Advances	0	0	0	133,994
Reserved for Budget Stabilization	1,425,000	0	0	0
Unreserved:				
Undesignated	1,539,578	2,135,060	0	4,182,092
Total Fund Equity and Other Credits	3,217,485	2,421,932	0	4,871,970
Total Liabilities, Fund Equity and Other Credits	\$7,472,859	\$3,230,356	\$0	\$5,298,126

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
\$918,733	\$1,224,850	\$0	\$0	\$11,105,308
0	0	0	0	14,408
0	0	0	0	5,788,714
33,537	0	0	0	82,416
0	0	0	0	309,000
0	0	0	0	1,697
0	250	0	0	432,019
0	0	0	0	311,155
0	0	0	0	133,994
0	0	24,647,891	0	24,647,891
0	0	0	7,364,070	7,364,070
<u>\$952,270</u>	<u>\$1,225,100</u>	<u>\$24,647,891</u>	<u>\$7,364,070</u>	<u>\$50,190,672</u>
\$0	\$10,578	\$0	\$0	\$256,886
0	0	0	0	309,000
0	0	0	0	202,752
0	0	0	704,070	790,283
0	0	0	0	494,030
0	0	0	0	4,017,657
0	671,465	0	0	671,465
214,247	0	0	0	214,247
0	0	0	150,000	150,000
0	0	0	0	133,994
0	0	0	6,510,000	6,510,000
214,247	682,043	0	7,364,070	13,750,314
0	0	24,647,891	0	24,647,891
6,979	0	0	0	6,979
731,044	0	0	0	731,044
0	12,962	0	0	783,062
0	0	0	0	311,155
0	0	0	0	14,408
0	0	0	0	133,994
0	0	0	0	1,425,000
0	530,095	0	0	8,386,825
738,023	543,057	24,647,891	0	36,440,358
<u>\$952,270</u>	<u>\$1,225,100</u>	<u>\$24,647,891</u>	<u>\$7,364,070</u>	<u>\$50,190,672</u>

City of Stow, Ohio
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Year December 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Revenues:</u>				
Municipal Income Tax	\$0	\$10,256,841	\$0	\$0
Property and Other Taxes	4,104,963	316,968	0	0
Charges for Services	298,254	0	0	0
Licenses and Permits	803,038	0	0	0
Fines and Forfeitures	60,053	3,338	0	0
Intergovernmental	2,443,463	1,291,155	0	312,172
Special Assessments	0	56,788	0	0
Investment Income	536,138	0	0	0
Other	61,618	12,886	0	81,728
Total Revenues	8,307,527	11,937,976	0	393,900
<u>Expenditures:</u>				
Current:				
General Government	2,715,353	405,197	0	0
Security of Persons and Property	6,118,057	1,123,417	0	0
Public Health and Welfare	290,864	151,186	0	0
Transportation	590,018	1,473,378	0	0
Community Environment	909,323	0	0	0
Leisure Time Activities	1,374,755	14,232	0	0
Capital Outlay	64,147	166,206	0	1,826,933
Debt Service:				
Principal Retirement	0	0	215,000	0
Interest and Fiscal Charges	0	0	428,908	0
Total Expenditures	12,062,517	3,333,616	643,908	1,826,933
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,754,990)	8,604,360	(643,908)	(1,433,033)
<u>Other Financing Sources (Uses):</u>				
Sale of Fixed Assets	15,609	0	0	0
Operating Transfers - In	6,139,039	1,471,374	643,908	7,116,765
Operating Transfers - Out	(1,392,238)	(10,264,895)	0	(3,762,419)
Total Other Financing Sources (Uses)	4,762,410	(8,793,521)	643,908	3,354,346
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	1,007,420	(189,161)	0	1,921,313
Fund Balances at Beginning of Year	2,212,239	2,596,925	0	2,950,657
Residual Equity Transfers - In	332	0	0	0
Increase (Decrease) in Reserve for Inventory	(2,506)	14,168	0	0
Fund Balances at End of Year	\$3,217,485	\$2,421,932	\$0	\$4,871,970

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Expendable Trust	Totals (Memorandum Only)
	\$0	\$10,256,841
	0	4,421,931
	29,007	327,261
	6	803,044
	550	63,941
	9,288	4,056,078
	0	56,788
	0	536,138
	<u>237,913</u>	<u>394,145</u>
	<u>276,764</u>	<u>20,916,167</u>
	600	3,121,150
	16,392	7,257,866
	0	442,050
	0	2,063,396
	23,245	932,568
	98,878	1,487,865
	32,518	2,089,804
	0	215,000
	<u>0</u>	<u>428,908</u>
	<u>171,633</u>	<u>18,038,607</u>
	<u>105,131</u>	<u>2,877,560</u>
	0	15,609
	54,068	15,425,154
	<u>(5,602)</u>	<u>(15,425,154)</u>
	<u>48,466</u>	<u>15,609</u>
	153,597	2,893,169
	389,460	8,149,281
	0	332
	<u>0</u>	<u>11,662</u>
	<u>\$543,057</u>	<u>\$11,054,444</u>

City of Stow, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Municipal Income Tax	\$0	\$0	\$0
Property and Other Taxes	4,144,000	4,118,016	(25,984)
Charges for Services	552,280	298,519	(253,761)
Licenses and Permits	533,936	799,952	266,016
Fines and Forfeitures	52,244	60,817	8,573
Intergovernmental	2,198,498	2,427,058	228,560
Special Assessments	0	0	0
Investment Income	250,000	514,472	264,472
Other	359,520	61,645	(297,875)
Total Revenues	8,090,478	8,280,479	190,001
<u>Expenditures:</u>			
Current:			
General Government	3,768,591	2,954,436	814,155
Security of Persons and Property	6,025,042	6,236,616	(211,574)
Public Health and Welfare	294,385	293,159	1,226
Transportation	592,874	587,559	5,315
Community Environment	924,206	923,200	1,006
Leisure Time Activities	1,375,122	1,431,653	(56,531)
Capital Outlay	6,878	66,350	(59,472)
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	12,987,098	12,492,973	494,125
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,896,620)	(4,212,494)	684,126
<u>Other Financing Sources (Uses):</u>			
Other Financing Sources	186,086	92,305	(93,781)
Other Financing Uses	(3,800)	(2,481)	1,319
Sale of Fixed Assets	45,000	15,609	(29,391)
Advances - In	0	0	0
Advances - Out	0	0	0
Operating Transfers - In	6,587,777	6,539,371	(48,406)
Operating Transfers - Out	(3,710,185)	(1,792,238)	1,917,947
Total Other Financing Sources (Uses)	3,104,878	4,852,566	1,747,688
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(1,791,742)	640,072	2,431,814
Fund Balances at Beginning of Year	2,436,973	2,436,973	0
Prior Year Encumbrances Appropriated	205,181	205,181	0
Fund Balances at End of Year	\$850,412	\$3,282,226	\$2,431,814

See accompanying notes to the general purpose financial statements

Governmental Fund Types					
Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$11,650,000	\$10,654,608	(\$995,392)	\$0	\$0	\$0
318,255	316,968	(1,287)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
16,000	3,338	(12,662)	0	0	0
1,745,903	1,290,032	(455,871)	0	0	0
80,000	56,788	(23,212)	0	0	0
0	0	0	0	0	0
2,000	12,886	10,886	0	0	0
<u>13,812,158</u>	<u>12,334,620</u>	<u>(1,477,538)</u>	<u>0</u>	<u>0</u>	<u>0</u>
391,006	381,190	9,816	0	0	0
1,418,284	1,106,019	312,265	0	0	0
185,672	158,730	26,942	0	0	0
1,626,404	1,543,590	82,814	0	0	0
0	0	0	0	0	0
15,500	14,232	1,268	0	0	0
249,646	166,920	82,726	0	0	0
0	0	0	140,000	140,000	0
0	0	0	417,658	417,658	0
<u>3,886,512</u>	<u>3,370,681</u>	<u>515,831</u>	<u>557,658</u>	<u>557,658</u>	<u>0</u>
9,925,646	8,963,939	(961,707)	(557,658)	(557,658)	0
0	888	888	0	0	0
(318,332)	(218,683)	99,649	0	0	0
0	0	0	0	0	0
0	60,000	60,000	0	0	0
0	0	0	0	0	0
1,722,284	1,471,374	(250,910)	575,000	557,658	(17,342)
<u>(10,933,186)</u>	<u>(10,264,895)</u>	<u>668,291</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(9,529,234)</u>	<u>(8,951,316)</u>	<u>577,918</u>	<u>575,000</u>	<u>557,658</u>	<u>(17,342)</u>
396,412	12,623	(383,789)	17,342	0	(17,342)
394,506	394,506	0	0	0	0
107,945	107,945	0	0	0	0
<u>\$898,863</u>	<u>\$515,074</u>	<u>(\$383,789)</u>	<u>\$17,342</u>	<u>\$0</u>	<u>(\$17,342)</u>

(continued)

City of Stow, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis) (Continued)
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 1999

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Municipal Income Tax	\$0	\$0	\$0
Property and Other Taxes	0	0	0
Charges for Services	0	0	0
Licenses and Permits	0	0	0
Fines and Forfeitures	0	0	0
Intergovernmental	178,981	178,982	1
Special Assessments	0	0	0
Investment Income	0	0	0
Other	825,665	81,728	(743,937)
Total Revenues	<u>1,004,646</u>	<u>260,710</u>	<u>(743,936)</u>
<u>Expenditures:</u>			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	6,879,411	2,511,238	4,368,173
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>6,879,411</u>	<u>2,511,238</u>	<u>4,368,173</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,874,765)</u>	<u>(2,250,528)</u>	<u>3,624,237</u>
<u>Other Financing Sources (Uses):</u>			
Other Financing Sources	0	0	0
Other Financing Uses	0	0	0
Sale of Fixed Assets	0	0	0
Advances - In	376,000	376,000	0
Advances - Out	(436,000)	(436,000)	0
Operating Transfers - In	11,069,354	7,116,765	(3,952,589)
Operating Transfers - Out	(4,654,595)	(3,676,169)	978,426
Total Other Financing Sources (Uses)	<u>6,354,759</u>	<u>3,380,596</u>	<u>(2,974,163)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	479,994	1,130,068	650,074
Fund Balances at Beginning of Year	2,823,693	2,823,693	0
Prior Year Encumbrances Appropriated	<u>167,680</u>	<u>167,680</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$3,471,367</u></u>	<u><u>\$4,121,441</u></u>	<u><u>\$650,074</u></u>

Fiduciary Fund Type			Totals		
Expendable Trust Funds			(Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$11,650,000	\$10,654,608	(\$995,392)
0	0	0	4,462,255	4,434,984	(27,271)
31,340	29,482	(1,858)	583,620	328,001	(255,619)
6	6	0	533,942	799,958	266,016
300	300	0	68,544	64,455	(4,089)
8,000	9,288	1,288	4,131,382	3,905,360	(226,022)
0	0	0	80,000	56,788	(23,212)
0	0	0	250,000	514,472	264,472
239,413	239,092	(321)	1,426,598	395,351	(1,031,247)
279,059	278,168	(891)	23,186,341	21,153,977	(2,032,364)
600	600	0	4,160,197	3,336,226	823,971
18,936	18,124	812	7,462,262	7,360,759	101,503
0	0	0	480,057	451,889	28,168
0	0	0	2,219,278	2,131,149	88,129
19,156	18,556	600	943,362	941,756	1,606
105,294	102,344	2,950	1,495,916	1,548,229	(52,313)
57,839	39,901	17,938	7,193,774	2,784,409	4,409,365
0	0	0	140,000	140,000	0
0	0	0	417,658	417,658	0
201,825	179,525	22,300	24,512,504	19,112,075	5,400,429
77,234	98,643	21,409	(1,326,163)	2,041,902	3,368,065
0	400	400	186,086	93,593	(92,493)
(2,054)	(2,054)	0	(324,186)	(223,218)	100,968
0	0	0	45,000	15,609	(29,391)
0	0	0	376,000	436,000	60,000
0	0	0	(436,000)	(436,000)	0
54,068	54,068	0	20,008,483	15,739,236	(4,269,247)
(5,602)	(5,602)	0	(19,303,568)	(15,738,904)	3,564,664
46,412	46,812	400	551,815	(113,684)	(665,499)
123,646	145,455	21,809	(774,348)	1,928,218	2,702,566
367,381	367,381	0	6,022,553	6,022,553	0
23,735	23,735	0	504,541	504,541	0
<u>\$514,762</u>	<u>\$536,571</u>	<u>\$21,809</u>	<u>\$5,752,746</u>	<u>\$8,455,312</u>	<u>\$2,702,566</u>

City of Stow, Ohio
Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Year Ended December 31, 1999

	<u>Proprietary Fund Type</u>
	<u>Internal Service</u>
<u>Operating Revenues:</u>	
Charges for Services	\$1,360,082
Reimbursements	396,040
Other Operating Revenues	432
Total Operating Revenues	<u>1,756,554</u>
<u>Operating Expenses:</u>	
Personal Services	15,850
Contractual Services	221,849
Claims	1,549,544
Total Operating Expenses	<u>1,787,243</u>
Operating (Loss)	<u>(30,689)</u>
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	15,982
Other Non-Operating Revenues	2,571
Other Non-Operating Expenses	(291)
Total Non-Operating Revenues (Expenses)	<u>18,262</u>
Net (Loss)	<u>(12,427)</u>
Retained Earnings at Beginning of Year	<u>743,471</u>
Retained Earnings at End of Year	<u>731,044</u>
Contributed Capital at Beginning of Year	<u>6,979</u>
Contributed Capital at End of Year	<u>6,979</u>
Total Fund Equity at End of Year	<u><u>\$738,023</u></u>

See accompanying notes to the general purpose financial statements

City of Stow, Ohio
Combined Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 1999

	<u>Proprietary Fund Type</u>
	<u>Internal Service</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,360,082
Cash Received from Insurance Reimbursements	362,757
Cash Payments to Suppliers for Goods and Services	(221,849)
Cash Payments for Employee Benefits	(15,850)
Cash Payments for Claims	(1,444,603)
Other Operating Revenues	<u>178</u>
Net Cash Provided by Operating Activities	<u>40,715</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Other Non-Operating Revenues	2,571
Other Non-Operating Expenses	<u>(291)</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,280</u>
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	<u>15,982</u>
Net Cash Provided by Investing Activities	<u>15,982</u>
Net Increase in Cash and Cash Equivalents	58,977
Cash and Cash Equivalents at Beginning of Year	<u>859,756</u>
Cash and Cash Equivalents at End of Year	<u><u>\$918,733</u></u>
<u>Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:</u>	
Operating (Loss)	(\$30,689)
<u>Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:</u>	
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	(33,537)
Increase/(Decrease) in Claims Payable	<u>104,941</u>
Total Adjustments	<u>71,404</u>
Net Cash Provided by Operating Activities	<u><u>\$40,715</u></u>

See accompanying notes to the general purpose financial statements

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

A. Description of the Entity

The City of Stow, Ohio is a home rule municipal corporation which was established under the laws of the State of Ohio and operates under its own charter. The current Charter, which provides for a Mayor/Council form of government, was adopted in 1958 and became effective January 2, 1960. Amendments to the Charter have been approved by the electorate in 1965, 1970, 1972, 1975, 1980, 1985, 1990, 1991 and 1997.

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's (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, street and highway maintenance, building and zoning inspection, comprehensive community planning and various general government services. The City offers numerous parks and recreation programs and operates a park system, an outdoor swimming facility, three municipal cemeteries and a group of rental lodges available for public or private events.

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.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

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:

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically 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 and fiduciary funds, are accounted for through governmental funds. The measurement focus is based upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

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 expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general 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).

PROPRIETARY FUND

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

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

FIDUCIARY FUNDS

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:

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

Expendable Trust Funds - These funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. The expendable trust funds account for assets where both the principal and interest may be spent.

Agency Funds - These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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:

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

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all long-term obligations of the City, except those accounted for in the proprietary fund type.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these general purpose financial statements are summarized below. These policies conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) 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.

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 and expendable trust 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.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The proprietary fund type is 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.

The modified accrual basis of accounting is used for reporting purposes by all governmental fund types, expendable trust and agency funds. Under this basis of accounting, 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 60 days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: municipal income taxes, federal and state grants, various state and county tax distributions, licenses and permits and fines and forfeitures.

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, 1999, delinquent property taxes, inheritance taxes posted to the credit of the City at year end which are not available as an advance and delinquent special assessments, whose availability is indeterminable and which are not intended to finance the current year operations, have been recorded as deferred revenue.

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 fund 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. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The proprietary fund type is 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.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 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 primary level of budgetary control is at the object level within each fund and department/function; however, there are several capital projects and expendable trust funds whose level of budgetary control is at the fund level. 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 reflects the amounts in the final amended official Certificate of Estimated Resources issued during 1999.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 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 among object levels within departments/functions and departments/functions within a fund must first be approved by City Council. Council may pass supplemental 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 reallocate or increase the original appropriated amounts. During the year, supplemental appropriation measures were legally enacted; however, none of these amendments were significant. The budgetary figures which appear in the statement of budgetary comparisons represent the final appropriation amounts.

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 legal level of budgetary control. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations:

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

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash, Cash Equivalents and Investments

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

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year 1999. 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, 1999.

Following Ohio statutes, the City has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the year 1999 amounted to \$536,138, which includes \$356,956 assigned from other City funds.

The City owns common stock obtained when its life insurance companies converted from mutual life insurance companies to shareholder-owned life insurance companies. The account is presented in the Combined Balance Sheet as "Investments in Common Stock" since they are not required to be deposited into the City treasury.

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. Investments with an initial maturity of more than three months are reported as investments.

D. Inventory of Supplies

Inventories of governmental funds are stated at cost which 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. 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.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Interfund Assets and Liabilities

Short-term interfund loans or the short-term portion of advances are classified as "Interfund Receivables/Payables". Long-term interfund loans are reported as "Advances to/from Other Funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available spendable resources since they are not a component of net current assets.

F. Property, Plant, Equipment and Depreciation

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. Donated fixed assets are capitalized at estimated fair market value on the date donated.

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.

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.

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 and personal 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 termination payment 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.

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.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 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.

I. Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless whether they will be liquidated with current resources. However, compensated absences, that will be paid from governmental 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. Bonds and long-term purchase agreements are 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

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These private sources are recorded at their fair market value on the date contributed.

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, common stock, budget stabilization and advances.

L. Interfund Transactions

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

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 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.
3. Nonrecurring and non-routine transfers of equity between funds, capital contributions to the proprietary fund type, the subsequent return of all or part of such contributions, and the transfer of residual balances of discontinued funds or projects to the general fund, capital project funds, or debt service fund are classified as residual equity transfers.

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 elimination's have not been made in the aggregation of this data.

NOTE 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 based upon 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 and Expendable Trust Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. 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).

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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. Advances are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses) All Governmental Fund Types and Expendable Trust Funds				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$1,007,420	\$(189,161)	\$ 0	\$1,921,313	\$153,597
Net Adjustment for Revenue Accruals	465,589	457,532	(86,250)	242,810	1,804
Net Adjustment for Expenditure Accruals	(593,780)	(105,926)	86,250	(433,559)	9,996
Encumbrances	<u>(239,157)</u>	<u>(149,822)</u>	<u>0</u>	<u>(600,496)</u>	<u>(19,942)</u>
Budget Basis	<u>\$640,072</u>	<u>\$ 12,623</u>	<u>\$ 0</u>	<u>\$1,130,068</u>	<u>\$145,455</u>

NOTE 4 - CHANGE IN ACCOUNTING PRINCIPLES

For 1999, the City has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plans. On January 1, 1999, trusts for the assets of the plans for which the City has fiduciary responsibility were created. Therefore, the balance of the deferred compensation plans of \$2,152,074 was shown as a reduction in the deferred compensation agency fund.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

The following funds had a deficit fund balance caused by the recognition of expenditures and/or nonrecognition of revenues on the modified accrual basis of accounting which substantially differ from those recognized on the cash basis of accounting:

<u>Fund</u>	<u>Deficit</u>
Police Pension and Disability	\$ 99,364
Fire Pension and Disability	131,856
ODNR Recycling Grant	3,530
Special Assessments Improvement	32,822

NOTE 6 - 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 has 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 money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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 instrumentalities;
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 two percent 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;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits With Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits - At year end, the carrying amount of the City's deposits was \$(233,053) and the bank balance was \$107,481. The entire bank balance was covered by federal depository insurance.

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>1</u>	Category <u>2</u>	<u>3</u>	Fair Value
Overnight Repurchase Agreements	\$ 0	\$0	\$930,000	\$ 930,000
Common Stock	<u>14,408</u>	<u>0</u>	<u>0</u>	<u>14,408</u>
Total	<u>\$14,408</u>	<u>\$0</u>	<u>\$930,000</u>	944,408
STAR Ohio				<u>10,408,361</u>
Total Investments				<u>\$11,352,769</u>

The classification of cash and cash equivalents and investments on the 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 general purpose financial statements and the classifications of deposits and investments per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$11,105,308	\$ 14,408
Investments of Cash Management Pool:		
Overnight Repurchase Agreements	(930,000)	930,000
STAR Ohio	<u>(10,408,361)</u>	<u>10,408,361</u>
GASB Statement No. 3	<u>\$ (233,053)</u>	<u>\$11,352,769</u>

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 7 - 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 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 20; if paid semiannually, the first payment is due January 20, with the remainder payable June 20, unless extended.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent 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 second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 80 percent 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 represents delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 1999. 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, 1999 and are not intended to finance 1999 operations. The receivable is therefore offset by a credit to deferred revenue.

The full tax rate for all City operations for the year ended December 31, 1999 was \$7.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 7 - PROPERTY TAXES (continued)

<u>Category</u>	<u>Total Assessed Value</u>	<u>%</u>
Real Property Valuation:		
Residential/Agriculture	\$ 453,567,500	71.55
Commercial/Industrial/Mineral	113,603,150	17.92
Public Utilities	20,870	0.00
Tangible Personal Property Valuation:		
General	52,133,728	8.22
Public Utilities	<u>14,630,840</u>	<u>2.31</u>
Total Valuation	<u>\$633,956,088</u>	<u>100.00</u>

NOTE 8 - INCOME TAX

The City levies and collects an income tax of 2.0% 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 a credit of 100% for the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Withheld income taxes and other various income tax collections for 1999 received 60 days after year end have been recognized as revenue in 1999.

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 among the general fund (60%) and capital project funds (40%).

NOTE 9 - INTERGOVERNMENTAL RECEIVABLES

Receivables at December 31, 1999 consisted of taxes, special assessments, accounts, interfund and intergovernmental arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 9 - INTERGOVERNMENTAL RECEIVABLES (continued)

A summary of the items of intergovernmental receivables follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 24,468
Special Revenue	
Street Construction	200,221
State Highway Improvement	1,234
Police Pension and Disability	922
Fire Pension and Disability	922
Motor Vehicle License Tax	5,238
Police Enforcement and Education	225
COPFAST	46,983
DARE Grant	<u>18,366</u>
Total Special Revenue	<u>274,111</u>
Capital Projects	
Fishcreek Widening	133,190
Expendable Trust	
Police Drug Forfeited Cash	<u>250</u>
Grand Total	<u>\$432,019</u>

NOTE 10 - 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 sidewalk construction/repair which is billed by the County Auditor and collected by the County Treasurer. The County Auditor periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 11 - FIXED ASSETS

A summary of the changes in general fixed assets during 1999 follows:

	Balance <u>01/01/99</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/99</u>
Land and Improvements	\$ 7,069,647	\$ 263,552	\$ 0	\$ 7,333,199
Buildings	8,630,932	0	0	8,630,932
Vehicles	4,411,458	138,158	(121,680)	4,427,936
Equipment	3,430,915	629,008	(45,772)	4,014,151
Construction in Progress	<u>156,365</u>	<u>241,673</u>	<u>(156,365)</u>	<u>241,673</u>
Total	<u>\$23,699,317</u>	<u>\$1,272,391</u>	<u>\$(323,817)</u>	<u>\$24,647,891</u>

The beginning balance of the general fixed assets account group has been restated due to errors in prior periods.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System:

All employees of the City, with the exclusion of City police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. The PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. The PERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1-800-222-7377.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension benefit obligations and the City is required to contribute 13.55%. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's contributions for pension obligations to the PERS for the years ending December 31, 1999, 1998 and 1997 1996 were \$469,355, \$385,164 and \$378,481, respectively. The full amount has been contributed for 1998 and 1997. 74.0% has been contributed for 1999 with the remainder being recorded as a liability in the respective funds.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. Ohio Police and Fire Pension Fund:

All City police officers and firefighters are required to be members of the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by the OP&F's Board of Trustees. The OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established and may be amended by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available stand-alone financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0%, respectively, for police officers and firefighters. Contributions are authorized by State statute. The City's contributions for pension obligations to the OP&F for the years ending December 31, 1999, 1998 and 1997 were \$675,189, \$565,542 and \$529,044, respectively. The full amount has been contributed for 1998 and 1997. 76.4% has been contributed in 1999 with the remainder being recorded as a liability in the respective funds.

NOTE 13 - POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System:

The Public Employees Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit and primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post-Employment Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the PERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for the year 1999. The City's actual contributions for 1999 which were used to fund post-employment benefits were \$210,833.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to the PERS.

OPEB are financed through employer contributions and investment earnings there on. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 13 - POST-EMPLOYMENT BENEFITS (continued)

Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible statewide for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. Ohio Police and Fire Pension Fund:

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll. The City's actual contributions for 1999 which were used to fund post-employment benefits were \$313,859.

The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 6.5% and 7.0% of covered payroll in 1998 and 1999, respectively. The allocation is 7.25% in 2000. 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 number of participants eligible statewide to receive health care benefits as of December 31, 1998, the date of the last actuarial valuation available, are 11,424 for police officers and 9,186 for firefighters. The OP&F's total health care expense for the year ending December 31, 1998, the date of the last actuarial valuation available, was \$78,596,790, which was net of member contributions of \$5,331,515

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 14 - COMPENSATED ABSENCES

Full-time City employees earn and accumulate paid vacation leave for each paid work hour or paid service hour completed for the City. The maximum base used for accumulation of vacation pay is eighty hours per pay period. Based upon the length of service, employees earn vacation at rates varying from two weeks to six weeks per year. Part-time employees may earn partial vacation credits, while seasonal employees are ineligible for vacation benefits. Upon termination from the City, an employee is entitled to compensation at his or her current base rate of pay for all earned, but unused vacation leave to his or her credit at the time of termination, subject to the maximum amount which can be accumulated at any time. In the case of death, unused vacation leave is paid in the name of the employee to his or her spouse or estate.

Full-time City employees and certain part-time employees earn sick leave at the rate of .05769 hours for every paid service hour completed for the City. The maximum base used for accumulation of sick pay is eighty hours per pay period. Sick leave to be paid for time away from work due to illness may be accumulated without limit. For employees hired prior to July 1, 1996, an employee or his/her estate is paid upon retirement or death one hundred percent of the unused amount accumulated equivalent to a maximum of 1,000 hours and fifty percent of unused sick leave up to a maximum of an additional 1,000 hours at the current base rate, but only to the extent such benefits have been earned as employees of the City. Firefighters hired prior to July 1, 1996 are entitled to payment for additional hours upon retirement or death. In the case of retirement or death of an employee hired on or after July 1, 1996, the employee or his/her estate is paid one hundred percent of the unused amount accumulated to a maximum of 1,000 hours and is not eligible to receive the cash payment of fifty percent of unused sick leave up to a maximum of an additional 1,000 hours.

Full-time police officers and firefighters are permitted to accumulate holiday time. Police department employees must use their accumulated holiday time prior to April 1 of each year and the employees of the fire department by July 1.

As of December 31, 1999, the liability for compensated absences was \$790,283 for the entire City.

NOTE 15 - RISK MANAGEMENT

A. Liability Insurance

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. The City has a comprehensive property and casualty policy with a deductible of \$1,000 per incident. The City's vehicle liability insurance policy limit is \$1,000,000 with a \$500 collision deductible. All Council members, administrators and employees are covered under a City liability policy. The limits of this coverage are \$1,000,000 per occurrence and \$1,000,000 in aggregate with a \$10,000,000 umbrella over all coverages. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction of coverage from the prior year.

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 15 - RISK MANAGEMENT (continued)

B. Fidelity Bond

The Finance Director, Assistant Finance Director and Tax Administrator have a \$100,000 position bond. All other City employees who are specifically bonded are covered by a \$100,000 general faithful performance and honesty blanket position bond.

C. Workers' Compensation

The City pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

D. Employee Health Insurance

The City has elected to provide employee medical, prescription and dental benefits through a self-insurance program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risk of loss in this program. This plan provides a medical plan with a \$400.00 family and \$200.00 single deductible and a dental plan with a \$75.00 family and \$25.00 single deductible. A third party administrator, Klais & Company, Inc., reviews all medical and dental claims which are then paid by the City. The City purchased stop-loss coverage of \$50,000 per employee and \$1,000,000 in the aggregate from Sun Life Assurance Company of Canada. The City pays into the self-insurance internal service fund \$516.58 per month for each employee with family medical coverage and \$156.61 per month for each employee with individual medical coverage. Premiums for dental coverage are \$57.40 monthly for each employee with family coverage and \$27.21 monthly for each employee with individual coverage. All premiums are paid by the fund that pays the salary for the employee.

The claims liability of \$214,247 reported in the self-insurance internal service fund at December 31, 1999 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Services", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the City's third party administrator. A summary of the fund's claims liability during the past two years are as follows:

	Beginning of Year <u>Liability</u>	Current-Year Claims and Changes in <u>Estimates</u>	<u>Claim Payments</u>	Balance at <u>Year End</u>
1998	\$124,505	\$ 840,469	\$ (855,668)	\$109,306
1999	109,306	1,549,544	(1,444,603)	214,247

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 16 - DEBT OBLIGATIONS

Debt outstanding at December 31, 1999, consisted of the following issues:

	<u>Balance</u> <u>01/01/99</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/99</u>
<u>GENERAL LONG-TERM</u>				
<u>OBLIGATIONS ACCOUNT</u>				
<u>GROUP</u>				
5.0%, Land Purchase Agreement, Due through 2001	\$ 225,000	\$ 0	\$ (75,000)	\$ 150,000
5.5% - 7.75%, Safety Center Construction General Obligation Bonds, Due through 2020	6,650,000	0	(140,000)	6,510,000
4.25%, Police and Fire Pension Liability	223,003	0	(223,003)	0
Compensated Absences	<u>655,049</u>	<u>49,021</u>	<u>0</u>	<u>704,070</u>
TOTAL DEBT OBLIGATIONS	<u>\$7,753,052</u>	<u>\$49,021</u>	<u>\$(438,003)</u>	<u>\$7,364,070</u>

The land purchase agreement will be repaid with income tax monies out of the capital project funds. The general obligation bonds will be repaid from income tax monies transferred into the debt service fund from the capital projects funds. The liability for police and fire past service costs relates to the City's liability to certain employees incurred prior to the establishment of the Ohio Police and Fire Pension Fund (OP&F). On March 15, 1999, the City entered into an Agreement for Lump Sum Payment of Accrued Liability with the OP&F. In accordance with this agreement and pursuant to State statute, the City elected to make a single lump sum payment, including interest, of \$156,408 to the OP&F. With this single lump sum payment, the City has no further obligation to make accrued liability payments to the OP&F related to this pension liability. Compensated absences will be paid from the funds which the employees' salaries are paid.

The annual requirements to amortize all long-term debt outstanding as of December 31, 1999, including interest payments of \$5,269,127, are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Safety Center Construction</u> <u>General Obligation Bonds</u>	<u>Land Purchase Agreement</u>	<u>Total</u>
2000	\$ 556,808	\$ 82,500	\$ 639,308
2001	560,183	78,750	638,933
2002	562,395	0	562,395
2003	563,445	0	563,445
2004	568,333	0	568,333
Thereafter	<u>8,956,713</u>	<u>0</u>	<u>8,956,713</u>
Total	<u>\$11,767,877</u>	<u>\$161,250</u>	<u>\$11,929,127</u>

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 17 - INTERFUND ASSETS AND LIABILITIES

A summary of short-term and long-term interfund loans by fund type follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Capital Projects:		
General Improvements	\$ 0	\$309,000
Capital Debt and Temporary Loan	<u>309,000</u>	<u>0</u>
Total	<u>\$309,000</u>	<u>\$309,000</u>
<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances From Other Funds</u>
Special Revenue:		
ODNR Litter Prevention Grant	\$ 0	\$ 6,364
ODNR Recycling Grant	0	3,530
Special Assessments Improvement	<u>0</u>	<u>60,000</u>
Total Special Revenue	<u>0</u>	<u>69,894</u>
Capital Projects:		
General Improvements	9,894	64,100
Capital Debt and Temporary Loan	72,100	0
Capital Improvements	<u>52,000</u>	<u>0</u>
Total Capital Projects	<u>133,994</u>	<u>64,100</u>
Grand Total	<u>\$133,994</u>	<u>\$133,994</u>

NOTE 18 - INTERFUND TRANSACTIONS

A summary of operating transfers by fund type follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General	Special Revenue	\$ 766,374
General	Capital Projects	577,296
General	Expendable Trust	48,568
Special Revenue	General	6,038,937
Special Revenue	Capital Projects	4,225,958
Capital Projects	General	100,000
Capital Projects	Special Revenue	705,000
Capital Projects	Debt Service	643,908
Capital Projects	Capital Projects	2,313,511
Expendable Trust	General	102
Expendable Trust	Expendable Trust	<u>5,500</u>
Total		<u>\$15,425,154</u>

CITY OF STOW, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 19 - COMMITMENTS

During 1997, the City entered into a land purchase agreement to buy two parcels of land for \$250,000. During 1997, the City paid \$5,000 for ownership rights for one of the parcels of land and agreed to pay the remaining \$245,000 in accordance with the purchase agreement. Based on the purchase agreement, the City will purchase the second parcel upon the occurrence of the first of following events: the death of the seller, when the seller no longer lives on the parcel as her primary residence or notice to the City that the seller is desirous of concluding this transaction.

NOTE 20 - CONTINGENT LIABILITIES

A. Litigation

The City is a defendant in a matter alleging a violation of procedural and substantive due process, discriminatory treatment and arbitrary prohibition of a legitimate use arising from the denial of development plans for a parcel of land. The complainant has alleged damages of \$1,624,000.

The City's insurer has provided representation in this matter and the case is being vigorously contested. The City's insurer has notified the City that there is no coverage for loss of value and injunctive/declaratory relief within their public officials liability policy.

The ultimate outcome and potential liability cannot presently be determined.

Several other 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.

B. Grants

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 disallowances, if any, will be immaterial.

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

Members of Council
City of Stow
3760 Darrow Road
Stow, Ohio 44224

We have audited the general purpose financial statements of the City of Stow, Ohio, as of and for the year ended December 31, 1999, and have issued our report thereon dated June 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City in a separate letter dated June 26, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 99-1.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we believe that item 99-1 described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated June 26, 2000.

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

A handwritten signature in black ink, appearing to read "G. B. Fink", with a stylized flourish at the end.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

June 26, 2000

CITY OF STOW, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 1999

1. SUMMARY OF AUDITOR'S RESULTS

Type of general purpose financial statement opinion	Unqualified
Were there any material control weakness conditions reported at the general purpose financial statement level?	No
Were there any other reportable control weakness conditions reported at the general purpose financial statement level?	Yes
Was there any reported material non-compliance at the general purpose financial statement level?	No

2. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

99-1

During our review of fixed assets, it was discovered that inconsistencies existed between fixed assets listings provided to us by management and actual fixed assets. Inconsistencies documented comprised of assets not included on these fixed assets listings that the City actually did possess, assets on these fixed assets listings that the City actually disposed of in a prior period, discrepancies between recorded acquisition costs on these fixed assets listings and actual acquisition costs, and a lack of descriptive, complete identifications of fixed assets, including serial numbers and tag numbers.

This has caused difficulties in establishing a proper audit trail.

We recommend that the City perform a physical inventory of all of its fixed assets and reconcile it to these fixed assets listings. Also, we recommend that the City develop a fixed assets policy whose provisions should include, but not be limited to, the following:

1. Define differences between vehicles and equipment, including add-on equipment, such as police car radios, fire truck ladders, etc.

CITY OF STOW, OHIO

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

DECEMBER 31, 1999

2. Establish a tagging system where each asset is assigned a number and tagged.
3. Require each department to perform a physical inventory at or near the end of each year.
4. Reconcile these physical inventories each year to the fixed assets listings.
5. Establish fixed assets listings which include detailed description of the asset, serial and/or tag number for each asset, acquisition date of each asset, location of each asset, original cost of each asset, date of disposal and proceeds received for each asset and method of disposal for each asset.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF STOW

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 1, 2000**