



**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, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Streetsboro, Portage County, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 25, 2003

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CITY OF STREETSBORO
PORTAGE COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,108,139	\$ 682,523	\$ 441,965	\$ 2,427,801
Receivables:				
Taxes	2,059,830	101,523	431,810	275,282
Accounts	120,091	70	-	63,946
Interfund	6,340	-	-	-
Special assessments	-	-	67,869	-
Due from other governments	232,798	196,164	13,261	-
Materials and supplies inventory	-	12,648	-	-
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	\$ 3,527,198	\$ 1,353,486	\$ 954,905	\$ 2,767,029
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 129,502	\$ 61,924	\$ -	\$ 37,492
Interfund payable	-	-	6,340	-
Accrued wages and benefits	111,042	15,460	-	-
Compensated absences payable	28,410	1,498	-	-
Due to other governments	220,205	24,647	-	-
Deferred revenue	1,969,407	220,395	484,216	248,128
Deposits held and due to others	-	-	-	-
Accrued interest payable	-	-	-	-
Bond anticipation notes	-	-	-	1,280,000
Capital leases payable	-	-	-	-
OPWC loan payable	-	-	-	-
OWDA loan payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Special assessment debt with governmental commitment	-	-	-	-
Total liabilities	2,458,566	323,924	490,556	1,565,620
Fund equity and other credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	67,428	58,410	-	147,645
Reserved for inventory	-	12,648	-	-
Reserved for debt service	-	-	464,349	-
Reserved for loans receivable	-	360,558	-	-
Unreserved, undesignated	1,001,204	597,946	-	1,053,764
Total fund equity and other credits	1,068,632	1,029,562	464,349	1,201,409
Total liabilities, fund equity and other credits	\$ 3,527,198	\$ 1,353,486	\$ 954,905	\$ 2,767,029

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			
\$ 1,350,050	\$ 88,217	\$ -	\$ -	\$ 6,098,695
-	-	-	-	2,868,445
240,476	-	-	-	424,583
-	-	-	-	6,340
155,956	-	-	-	223,825
-	-	-	-	442,223
-	-	-	-	12,648
-	-	-	-	360,558
4,611,022	-	9,550,270	-	14,161,292
-	-	-	464,349	464,349
-	-	-	5,256,079	5,256,079
-	-	-	72,000	72,000
\$ 6,357,504	\$ 88,217	\$ 9,550,270	\$ 5,792,428	\$ 30,391,037
\$ 4,332	\$ 8,080	\$ -	\$ -	241,330
-	-	-	-	6,340
7,504	-	-	-	134,006
4,885	-	-	259,813	294,606
85,534	-	-	-	330,386
-	-	-	-	2,922,146
-	79,728	-	-	79,728
9,268	-	-	-	9,268
-	-	-	-	1,280,000
-	-	-	728,162	728,162
106,343	-	-	182,453	288,796
211,995	-	-	-	211,995
-	-	-	4,550,000	4,550,000
-	-	-	72,000	72,000
429,861	87,808	-	5,792,428	11,148,763
-	-	9,550,270	-	9,550,270
5,576,383	-	-	-	5,576,383
351,260	409	-	-	351,669
-	-	-	-	273,483
-	-	-	-	12,648
-	-	-	-	464,349
-	-	-	-	360,558
-	-	-	-	2,652,914
5,927,643	409	9,550,270	-	19,242,274
\$ 6,357,504	\$ 88,217	\$ 9,550,270	\$ 5,792,428	\$ 30,391,037

**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, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Municipal income tax	\$ 3,555,476	\$ -	\$ 264,274	\$ 616,184
Property and other taxes	938,191	236,371	-	255,191
Charges for services	97,693	94,758	-	225,583
Licenses and permits	515,998	-	-	-
Fines and forfeitures	130,489	11,335	-	-
Intergovernmental	363,949	513,679	13,261	661,622
Special assessments	-	-	36,922	-
Investment income	78,648	22,124	9,995	-
Revenue in lieu of taxes	35,000	-	-	-
Other	87,440	10,085	-	3,148
Total revenues	<u>5,802,884</u>	<u>888,352</u>	<u>324,452</u>	<u>1,761,728</u>
Expenditures:				
Current:				
General government	1,191,425	191,431	5,478	16,390
Security of persons and property	3,342,478	110,647	-	-
Public health and welfare	-	40,090	-	-
Transportation	-	515,981	-	-
Community environment	619,362	-	-	4,801
Basic utility services	712,047	-	-	-
Leisure time activities	150,589	164,872	-	-
Other	-	280	-	-
Capital outlay	53,325	150,964	-	1,637,579
Debt service:				
Principal retirement	-	-	249,000	148,124
Interest and fiscal charges	-	-	250,753	57,988
Total expenditures	<u>6,069,226</u>	<u>1,174,265</u>	<u>505,231</u>	<u>1,864,882</u>
Excess of revenues under expenditures	<u>(266,342)</u>	<u>(285,913)</u>	<u>(180,779)</u>	<u>(103,154)</u>
Other financing sources (uses):				
Proceeds of loans	-	-	-	90,469
Inception of capital lease	-	-	-	171,799
Operating transfers - in	-	200,000	-	3,000
Operating transfers - out	<u>(235,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(235,500)</u>	<u>200,000</u>	<u>-</u>	<u>265,268</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(501,842)	(85,913)	(180,779)	162,114
Fund balances at beginning of year	1,570,474	1,121,090	645,128	1,039,295
Decrease in reserve for inventory	-	(5,615)	-	-
Fund balances at end of year	<u>\$ 1,068,632</u>	<u>\$ 1,029,562</u>	<u>\$ 464,349</u>	<u>\$ 1,201,409</u>

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

**Totals
(Memorandum
Only)**

\$ 4,435,934
1,429,753
418,034
515,998
141,824
1,552,511
36,922
110,767
35,000
100,673

8,777,416

1,404,724
3,453,125
40,090
515,981
624,163
712,047
315,461
280
1,841,868

397,124
308,741

9,613,604

(836,188)

90,469
171,799
203,000

(235,500)

229,768

(606,420)

4,375,987

(5,615)

\$ 3,763,952

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, 2002**

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Municipal income tax	\$ 3,920,000	\$ 3,955,779	\$ 35,779
Property and other taxes	1,053,439	905,563	(147,876)
Charges for services	73,700	92,983	19,283
Licenses and permits	631,450	515,998	(115,452)
Fines and forfeitures	181,500	144,287	(37,213)
Intergovernmental	445,561	440,092	(5,469)
Special assessments	-	-	-
Investment income	110,000	76,657	(33,343)
Other	56,801	82,185	25,384
Total revenues	<u>6,472,451</u>	<u>6,213,544</u>	<u>(258,907)</u>
Expenditures:			
Current:			
General government	1,470,263	1,246,647	223,616
Security of persons and property	3,534,477	3,375,930	158,547
Public health and welfare	-	-	-
Transportation	-	-	-
Community environment	652,383	622,183	30,200
Basic utility services	791,903	728,828	63,075
Leisure time activities	200,023	169,257	30,766
Other	-	-	-
Capital outlay	103,195	87,822	15,373
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>6,752,244</u>	<u>6,230,667</u>	<u>521,577</u>
Excess of revenues over (under) expenditures	<u>(279,793)</u>	<u>(17,123)</u>	<u>262,670</u>
Other financing sources (uses):			
Other financing sources	87,000	152,515	65,515
Other financing uses	(157,976)	(148,507)	9,469
Proceeds of loans	-	-	-
Sale of fixed assets	3,000	-	(3,000)
Advances - in	323,666	260,000	(63,666)
Advances - out	(325,000)	(260,000)	65,000
Proceeds from sale of notes	-	-	-
Operating transfers - in	-	-	-
Operating transfers - out	(276,000)	(235,500)	40,500
Total other financing sources (uses)	<u>(345,310)</u>	<u>(231,492)</u>	<u>113,818</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(625,103)</u>	<u>(248,615)</u>	<u>376,488</u>
Fund balances at beginning of year	1,058,187	1,058,187	-
Prior year encumbrances appropriated	198,262	198,262	-
Fund balances at end of year	<u>\$ 631,346</u>	<u>\$ 1,007,834</u>	<u>\$ 376,488</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)
\$ -	\$ -	\$ -	\$ 294,000	\$ 283,374	\$ (10,626)
244,033	238,856	(5,177)	320,239	259,912	(60,327)
69,098	96,129	27,031	-	-	-
-	-	-	-	-	-
31,000	11,335	(19,665)	-	-	-
508,836	442,505	(66,331)	13,261	13,261	-
1,000	-	(1,000)	39,000	36,922	(2,078)
10,875	7,116	(3,759)	15,000	9,719	(5,281)
12,700	38,484	25,784	-	-	-
<u>877,542</u>	<u>834,425</u>	<u>(43,117)</u>	<u>681,500</u>	<u>603,188</u>	<u>(78,312)</u>
215,180	190,922	24,258	8,100	5,478	2,622
176,366	168,512	7,854	-	-	-
48,696	41,613	7,083	-	-	-
644,693	575,889	68,804	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
204,358	165,169	39,189	-	-	-
1,050	50	1,000	-	-	-
275,123	170,855	104,268	-	-	-
340	100,000	(99,660)	675,240	670,000	5,240
-	-	-	269,800	266,810	2,990
<u>1,565,806</u>	<u>1,413,010</u>	<u>152,796</u>	<u>953,140</u>	<u>942,288</u>	<u>10,852</u>
<u>(688,264)</u>	<u>(578,585)</u>	<u>109,679</u>	<u>(271,640)</u>	<u>(339,100)</u>	<u>(67,460)</u>
5,000	2,896	(2,104)	-	-	-
(5,797)	(1,421)	4,376	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	125,000	125,000
205,000	200,000	(5,000)	14,000	-	(14,000)
-	-	-	-	-	-
<u>204,203</u>	<u>201,475</u>	<u>(2,728)</u>	<u>14,000</u>	<u>125,000</u>	<u>111,000</u>
(484,061)	(377,110)	106,951	(257,640)	(214,100)	43,540
696,622	696,622	-	584,850	584,850	-
178,063	178,063	-	1	1	-
<u>\$ 390,624</u>	<u>\$ 497,575</u>	<u>\$ 106,951</u>	<u>\$ 327,211</u>	<u>\$ 370,751</u>	<u>\$ 43,540</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, 2002**

	Governmental Fund Types		
	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Municipal income tax	\$ 744,149	\$ 660,751	\$ (83,398)
Property and other taxes	-	-	-
Charges for services	220,000	205,094	(14,906)
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental	252,000	516,622	264,622
Special assessments	-	-	-
Investment income	-	-	-
Other	-	3,148	3,148
Total revenues	<u>1,216,149</u>	<u>1,385,615</u>	<u>169,466</u>
Expenditures:			
Current:			
General government	20,000	14,743	5,257
Security of persons and property	-	-	-
Public health and welfare	-	-	-
Transportation	-	-	-
Community environment	4,801	4,801	-
Basic utility services	-	-	-
Leisure time activities	-	-	-
Other	-	-	-
Capital outlay	2,559,967	1,968,378	591,589
Debt service:			
Principal retirement	16,000	5,000	11,000
Interest and fiscal charges	-	-	-
Total expenditures	<u>2,600,768</u>	<u>1,992,922</u>	<u>607,846</u>
Excess of revenues over (under) expenditures	<u>(1,384,619)</u>	<u>(607,307)</u>	<u>777,312</u>
Other financing sources (uses):			
Other financing sources	-	-	-
Other financing uses	(62,500)	(58,802)	3,698
Proceeds of loans	-	90,469	90,469
Sale of fixed assets	-	-	-
Advances - in	260,000	260,000	-
Advances - out	(260,000)	(260,000)	-
Proceeds from sale of notes	538,000	1,155,000	617,000
Operating transfers - in	150,000	3,000	(147,000)
Operating transfers - out	(18,666)	-	18,666
Total other financing sources (uses)	<u>606,834</u>	<u>1,189,667</u>	<u>582,833</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(777,785)</u>	<u>582,360</u>	<u>1,360,145</u>
Fund balances at beginning of year	1,400,107	1,400,107	-
Prior year encumbrances appropriated	186,169	186,169	-
Fund balances at end of year	<u>\$ 808,491</u>	<u>\$ 2,168,636</u>	<u>\$ 1,360,145</u>

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

Totals
(Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 4,958,149	\$ 4,899,904	\$ (58,245)
1,617,711	1,404,331	(213,380)
362,798	394,206	31,408
631,450	515,998	(115,452)
212,500	155,622	(56,878)
1,219,658	1,412,480	192,822
40,000	36,922	(3,078)
135,875	93,492	(42,383)
69,501	123,817	54,316
<u>9,247,642</u>	<u>9,036,772</u>	<u>(210,870)</u>
1,713,543	1,457,790	255,753
3,710,843	3,544,442	166,401
48,696	41,613	7,083
644,693	575,889	68,804
657,184	626,984	30,200
791,903	728,828	63,075
404,381	334,426	69,955
1,050	50	1,000
2,938,285	2,227,055	711,230
691,580	775,000	(83,420)
269,800	266,810	2,990
<u>11,871,958</u>	<u>10,578,887</u>	<u>1,293,071</u>
<u>(2,624,316)</u>	<u>(1,542,115)</u>	<u>1,082,201</u>
92,000	155,411	63,411
(226,273)	(208,730)	17,543
-	90,469	90,469
3,000	-	(3,000)
583,666	520,000	(63,666)
(585,000)	(520,000)	65,000
538,000	1,280,000	742,000
369,000	203,000	(166,000)
(294,666)	(235,500)	59,166
<u>479,727</u>	<u>1,284,650</u>	<u>804,923</u>
(2,144,589)	(257,465)	1,887,124
3,739,766	3,739,766	-
562,495	562,495	-
<u>\$ 2,157,672</u>	<u>\$ 4,044,796</u>	<u>\$ 1,887,124</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, 2002**

	<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	\$ 1,563,160	\$ -	\$ 1,563,160
Other	31,437	-	31,437
Total operating revenues	<u>1,594,597</u>	<u>-</u>	<u>1,594,597</u>
Operating expenses:			
Personal services	186,720	-	186,720
Fringe benefits	62,817	-	62,817
Contractual services	819,236	-	819,236
Materials and supplies	49,920	-	49,920
Other	7,128	-	7,128
Depreciation	288,316	-	288,316
Total operating expenses	<u>1,414,137</u>	<u>-</u>	<u>1,414,137</u>
Operating income	<u>180,460</u>	<u>-</u>	<u>180,460</u>
Non-operating revenue (expenses):			
Other non-operating revenues	624,435	-	624,435
Interest and fiscal charges	<u>(21,262)</u>	<u>-</u>	<u>(21,262)</u>
Total non-operating revenues (expenses)	<u>603,173</u>	<u>-</u>	<u>603,173</u>
Income before operating transfers	<u>783,633</u>	<u>-</u>	<u>783,633</u>
Operating transfers - in	<u>32,500</u>	<u>-</u>	<u>32,500</u>
Net income	816,133	-	816,133
Retained earnings at beginning of year	<u>(464,873)</u>	<u>409</u>	<u>(464,464)</u>
Retained earnings at end of year	<u>351,260</u>	<u>409</u>	<u>351,669</u>
Contributed capital at beginning of year	5,576,383	-	5,576,383
Contributed capital at end of year	<u>5,576,383</u>	<u>-</u>	<u>5,576,383</u>
Total fund equity at end of year	<u>\$ 5,927,643</u>	<u>\$ 409</u>	<u>\$ 5,928,052</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, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<u>Cash flows from operating activities:</u>			
Operating income	\$ 180,460	\$ -	\$ 180,460
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	288,316	-	288,316
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(28,002)	-	(28,002)
Increase (decrease) in liabilities:			
Accounts payable	(3,532)	-	(3,532)
Accrued wages	4,434	-	4,434
Compensated absences	(441)	-	(441)
Due to other governments	25,594	-	25,594
Net cash provided by operating activities	466,829	-	466,829
<u>Cash flows from noncapital financing activities:</u>			
Operating transfers from other funds	32,500	-	32,500
Net provided by noncapital financing activities	32,500	-	32,500
<u>Cash flows from capital and related financing activities:</u>			
Interest paid on debt	(23,756)	-	(23,756)
Principal payment on loans	(73,077)	-	(73,077)
Acquisition of capital assets	(154,974)	-	(154,974)
Cash received from special assessments	46,509	-	46,509
Net cash used for capital and related financing activities	(205,298)	-	(205,298)
Net increase in cash and cash equivalents	294,031	-	294,031
Cash and cash equivalents at beginning of year	1,056,019	409	1,056,428
Cash and cash equivalents at end of year	\$ 1,350,050	\$ 409	\$ 1,350,459
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		87,808	
Total equity in pooled cash and cash equivalents, fiduciary fund type		\$ 88,217	

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, 2002**

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, 2002
(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, 2002
(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, 2002
(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, 2002 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, 2002
(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 2002. During the year, the City did not obtain a revised Certificate of Estimated Resources to reflect the full amount of transfers in.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(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 the audit period, 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, 2002
(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 2002. 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, 2002.

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 2002 amounted to \$78,648, which includes \$60,747 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, 2002
(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>
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, 2002
(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, 2002 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, 2002
(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, 2002
(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	\$ (501,842)	\$ (85,913)	\$ (180,779)	\$ 162,114
Revenue Accruals	823,175	(51,031)	403,736	607,088
Expenditure Accruals	(461,967)	(119,129)	(437,057)	(55,413)
Encumbrances (Budget Basis)				
Outstanding at year end	(107,981)	(121,037)	-	(131,429)
Budget Basis	\$ (248,615)	\$ (377,110)	\$ (214,100)	\$ 582,360

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, 2002
(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 \$550 was \$1,435,026 and the bank balance was \$1,366,556. Federal depository insurance covered \$259,365 of the bank balance. \$1,107,191 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, 2002
(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	\$ -	\$ -	\$ 810,000	\$ 810,000
Star Ohio				<u>3,853,669</u>
Total Investments				<u>\$ 4,663,669</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	\$ 6,098,695	\$ -
Investments of Cash Management Pool:		
Overnight Repurchase Agreement	(810,000)	810,000
STAR Ohio	<u>(3,853,669)</u>	<u>3,853,669</u>
GASB Statement No. 3	<u>\$ 1,435,026</u>	<u>\$ 4,663,669</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, 2002
(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, 2002. 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, 2002, and are not intended to finance 2002 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, 2002, was \$2.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 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, 2002
(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, 2002, 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, 2002, 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>232,798</u>
Special Revenue:	
Street Construction	162,316
State Highway	13,160
Permissive	6,856
Education and Enforcement	571
Police Pension	<u>13,261</u>
Total Special Revenue	<u>196,164</u>
Debt Service:	
General Bond Retirement	<u>13,261</u>
Grand Total	<u>\$ 442,223</u>

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(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

A summary of the changes in general fixed assets during 2002 follows:

	Balance <u>01/01/02</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/02</u>
Land and improvements	\$ 663,522	\$ 3,095	\$ -	\$ 666,617
Buildings	4,175,590	-	-	4,175,590
Furniture and equipment	2,047,113	249,811	(29,538)	2,267,386
Vehicles	<u>2,553,885</u>	<u>171,799</u>	<u>(285,007)</u>	<u>2,440,677</u>
Total	<u>\$ 9,440,110</u>	<u>\$ 424,705</u>	<u>\$ (314,545)</u>	<u>\$ 9,550,270</u>

A summary of the enterprise fund's fixed assets at December 31, 2002 follows:

Equipment	\$ 338,245
Vehicles	67,001
Underground Piping	<u>6,805,164</u>
	7,210,410
Less: Accumulated Depreciation	<u>(2,599,388)</u>
Net Fixed Assets	<u>\$ 4,611,022</u>

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All full time employees of the City, with the exclusion of City police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined pension plan administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations. The 2002 employer pension contribution rate for the City was 8.55% of covered payroll, decreased from 9.25% in 2001. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$229,888, \$228,360, and \$148,613, respectively. The full amount has been contributed for 2001 and 2000. 62.44% has been contributed for 2002, with the remainder being reported as a liability within the respective funds.

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 pension plan administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and 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. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10% of their annual covered salary to fund pension obligations and the City is required to contribute 11.75% for police and 16.25% for firefighters. For 2001, the City contributions were 12% for police and 16.5% for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters for the years ending December 31, 2002, 2001, and 2000 were \$154,339, \$152,966, and \$134,582, respectively, equal to the required contributions for each year. The full amount has been contributed for 2001 and 2000. 60.11% has been contributed for 2002 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, 2002
(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 2002 employer contribution rate was 13.55% of covered payroll; 5% was the portion that was used to fund health care for the year 2002. For 2001, the contribution rate was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, 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. 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 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$115,616.

The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

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

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

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(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 2002. For 2001 the percent used to fund healthcare was 7.5%. 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 2002 that were used to fund postemployment benefits were \$90,788 for police and fire. The OP&F's total health care expenses for the year ended December 31, 2001, (the latest information available) were \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 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, 2002, the liability for compensated absences was \$294,606 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, 2002
(Continued)**

14. ACCOUNTABILITY AND COMPLIANCE

- A. Ohio Revised Code Section 5705.39 of the Ohio Revised Code prohibits a subdivision from allowing appropriations to exceed estimated resources. It was noted that the City had appropriations exceeding estimated resources for the following funds at December 31, 2002: Special Revenue Fund (Recreation and Convention and Visitors), Debt Service Fund (Special Assessment Bond Retirement), Capital Project Fund (State Route 43 Widening) and Enterprise Fund (Water Reserve Fund).
- B. The Finance Director's certification of the availability of funds was not always made prior to a purchase commitment in accordance with **Ohio Revised Code Section 5705.41(D)**.
- C. **Ohio Revised Code Section 5705.41(B)** states no subdivision or taxing unit is to expend money unless it has been appropriated. For the fiscal year under audit expenditures exceeded appropriation in the Special Revenue Fund (Revolving Loan Fund) and Capital Project Fund (Capital Improvement Fund).

15. FUND DEFICITS

As of December 31, 2002, certain funds had deficit balances/retained earnings. These deficits are a result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds, however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

<u>Fund</u>	<u>Deficit</u>
Special assessment bond retirement debt service fund	\$ 3,338
State Route 43 Widening capital projects fund	53,910

16. INTERFUND TRANSACTIONS

Interfund balances as of December 31, 2002, consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 6,340	\$ -
Special assessment bond retirement debt service fund	-	6,340

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

17. DEBT OBLIGATIONS

Long-term debt outstanding at December 31, 2002 consisted of the following issues:

	Balance <u>1/1/02</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>1/31/02</u>
<u>ENTERPRISE FUND</u>				
8.97% OWDA Loan, due through 2005	\$ 224,827	\$ -	\$ (49,184)	\$ 175,643
7.65% OWDA Loan, due through 2006	43,885	-	(7,533)	36,352
0% OPWC Loan, due through 2009	<u>122,703</u>	<u>-</u>	<u>(16,360)</u>	<u>106,343</u>
Total Enterprise Debt	<u>391,415</u>	<u>-</u>	<u>(73,077)</u>	<u>318,338</u>
<u>CAPITAL PROJECTS FUND</u>				
3.95% Storm Sewer Improvement Note	425,000	-	(425,000)	-
2.45% Various Purpose Notes	<u>-</u>	<u>1,280,000</u>	<u>-</u>	<u>1,280,000</u>
Total Capital Projects Debt	<u>425,000</u>	<u>1,280,000</u>	<u>(425,000)</u>	<u>1,280,000</u>
<u>GENERAL LONG-TERM</u>				
<u>OBLIGATIONS ACCOUNT GROUP</u>				
9.125%, 1985 Ethan Avenue				
Special Assessments Bonds, due through 2005	16,000	-	(4,000)	12,000
10.875%, Frost waterline, State Road				
Waterline, Ranch Road Waterline Special Assessments Bonds, due through 2004	<u>90,000</u>	<u>-</u>	<u>(30,000)</u>	<u>60,000</u>
Total Special Assessments Bonds	<u>106,000</u>	<u>-</u>	<u>(34,000)</u>	<u>72,000</u>
3.90% to 5.55%, 1999 Various				
Purpose General Obligations Bonds, due through 2019	4,765,000	-	(215,000)	4,550,000
0% OPWC Loan, due through 2010	100,000	-	(5,000)	95,000
0% OPWC Loan, due through 2017	-	90,469	(3,016)	87,453
Capital Leases	696,470	171,799	(140,107)	728,162
Compensated Absences	<u>226,784</u>	<u>33,030</u>	<u>(1)</u>	<u>259,813</u>
TOTAL GENERAL LONG TERM DEBT	<u>5,894,254</u>	<u>295,298</u>	<u>(397,124)</u>	<u>5,792,428</u>
TOTAL ALL LONG-TERM DEBT	<u>\$ 6,710,669</u>	<u>\$ 1,575,298</u>	<u>\$ (895,201)</u>	<u>\$ 7,390,766</u>

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.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

17. DEBT OBLIGATIONS (Continued)

All special assessments bonds outstanding at December 31, 2002 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, 2002 are for various improvements. The bonds are backed by the full faith and credit of the City and are payable from taxes levied on all taxable property in the City.

The annual requirements to amortize all bonded debt outstanding as of December 31, 2002, including interest payments of \$11,977 for the special assessments bonds, \$39,620 for the loans and \$2,201,752 for the general obligation bonds, are as follows:

Year Ended <u>December 31</u>	Special Assessment <u>Bonds</u>	<u>Loans</u>	General Obligation <u>Bonds</u>	<u>Total</u>
2003	\$ 41,620	\$ 117,632	\$ 460,240	\$ 619,492
2004	37,992	112,632	460,120	610,744
2005	4,365	112,632	454,320	571,317
2006	-	43,281	453,050	496,331
2007	-	32,391	456,065	488,456
2008-2012	-	94,699	2,068,274	2,162,973
2013-2017	-	27,144	1,792,643	1,819,787
2018-2020	-	-	<u>607,040</u>	<u>607,040</u>
Total	<u>\$ 83,977</u>	<u>\$ 540,411</u>	<u>\$ 6,751,752</u>	<u>\$ 7,376,140</u>

18. CAPITAL LEASES

In a prior year the City entered into capital leases for the acquisition of a dump truck and a fire truck. During the year ended December 31, 2002, the City entered into a few new capital lease agreements for the acquisition of eight vehicles. 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, 2002:

**CITY OF STREETSBORO
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

18. CAPITAL LEASES (Continued)

Fiscal Year Ending <u>December 31</u>	<u>Lease Payments</u>
2003	\$ 181,310
2004	181,310
2005	115,290
2006	98,494
2007	80,327
2008-2010	<u>240,980</u>
Total minimum lease payments	897,711
Less: Amount representing interest	<u>(169,549)</u>
Present value of net minimum lease payments	<u><u>\$ 728,162</u></u>

19. 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.

20. SUBSEQUENT EVENTS

In July 2003, 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 2003, 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.

Finally, in July 2003, 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.

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Auditor of State Betty Montgomery

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

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

To the City Council:

We have audited the financial statements of the City of Streetsboro, Portage County as of and for the year ended December 31, 2002 and have issued our report thereon dated September 25, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Streetsboro in a separate letter dated September 25, 2003.

Internal Control Over Financial Reporting

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

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-008 through 2002-012.

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

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



Betty Montgomery
Auditor of State

September 25, 2003

CITY OF STREETSBORO
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2002-001

Noncompliance Citation - Availability of public records – Minutes

Ohio Revised Code Section 149.43 states that, all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. Upon request, a public office or person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, public offices may maintain public records in a manner that they can be made available for inspection in accordance with this division.

Ohio Revised Code Section 121.22 (c) states that, the minutes of a regular or special meeting of any public body shall be promptly prepared, filed and maintained and shall be open to public inspection.

Ohio Revised Code Section 731.20 states that, ordinances, resolutions, and bylaws shall be authenticated by the signature of the presiding officer and clerk of the legislative authority of the municipal corporation. As soon as a bylaw, resolution, or ordinance is passed and signed, it shall be recorded by the clerk in a book furnished by the legislative authority for that purpose.

Full Council Minutes were not available after May 20, 2002 through December 31, 2002 and Board of Control Minutes were not available for September 18, 2002 through December 31, 2002. Per our review of the minutes and through inquiry we noted the Clerk of Council, President of Council, and Finance Committee Chairperson did not always authenticate by signature the actions of the legislative authority.

The Clerk stated that she could produce an audio tape of a particular meeting if needed. As of the date of this report all minutes have been completed and up dated through December 31, 2002.

We recommend that the Clerk of Council update the minute books on a regular basis and that the required persons authenticate by signature the completed minutes as required by Ohio Revised Code.

CITY OF STREETSBORO
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002
(Continued)

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

Finding Number	2002-002
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Noncompliance Citation - Hotel/Motel Bed Taxes

City Ordinance section 187.08 states, that each vendor shall, on or before the fifteenth calendar day of each month make a return to the Finance Director of the total amounts charged and received and the amount of tax collected for motel or transient accommodation occupancies. City Ordinance section 187.09 states, that any vendor who fails to file a return within the time required in Section 187.08 shall pay a penalty of \$500, and any vendor who fails to remit any tax imposed by this Chapter within the time required shall pay a penalty equal to twenty-five percent (25%) of the amount of the tax, in addition to the tax.

As of December 31, 2002, the City had not imposed the late filing fee or late payment penalties from the initiation of the City Ordinances in August 2002 and had 10 out of the 11 vendors within the City who did not file the required report or pay their portion of the taxes owed. Also, the City did not impose any penalties for these violations in accordance with this ordinance, as of May 2003. At year end, there was at least one vendor that was over six months late with its payments. As of June 2003, the City did not bill nor collect for either the late fees or penalties due the City.

We recommend that the City enforce its ordinance and take action to collect on amounts owed. If the City determines certain provisions of the ordinance require revision, it should enforce the ordinance until such time that the ordinance is amended.

Finding Number	2002-003
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Noncompliance Citation – Certification of the Availability of Funds

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

This section also provides two exceptions to the above requirements:

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

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2002-003 – Continued
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Noncompliance Citation – Certification of the Availability of Funds (Continued)

For 58% of the expenditures tested the Finance Director’s certification of the availability of funds was not made prior to a purchase commitment and the above exceptions were not applied.

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

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

Finding Number	2002-004
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Noncompliance - Contracts

- **City Ordinances 2001-97 and 2002-151** state that, no purchase or contract in excess of \$5,000, but not in excess of \$15,000, shall be made or entered into except upon approval of City Council after three or more written quotes are presented to it. Additionally, no purchase or contract in excess of \$2,000, but not in excess of \$5,000, shall be made or entered into except upon approval of the Board of Control after three or more written quotes are presented to it.

For 8% of the purchases and contracts tested for FY 2002 the City Council and/or Board of Control did not obtain written quotes prior to awarding the contract or approving the purchase.

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

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

CITY OF STREETSBORO
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002
(Continued)

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

Finding Number	2002-004 (Continued)
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Noncompliance – Contracts (Continued)

- **Ohio Revised Code Section 4115.04 (A)** states that, (A) Every public authority authorized to contract for a public improvement, before advertising for bids, shall have the director of commerce determine the prevailing rates of wages of mechanics and laborers in accordance with section 4115.05 of the Revised Code for the class of work called for by the public improvement, in the locality where the work is to be performed. Such schedule of wages shall be attached to and made part of the specifications for the work, and shall be printed on the bidding blanks where the work is done by contract.

There were 10% of contracts tested for which prevailing wage documentation was not available at the City. The City did not include prevailing wage determinations in the contractual agreement, nor did the City obtain certified wages for work performed to assure that prevailing wages were paid.

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

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

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

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

CITY OF STREETSBORO
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002
(Continued)

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

Finding Number	2002-005
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Noncompliance – Contracts Bidding Documentation

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

Ohio Revised Code Section 149.351(A) states that, All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully. **Ohio Revised Code Section 149.011 (G)** states that, "Records" include any document, device, or item, regardless of physical form or characteristic, created or received by or coming under the jurisdiction of any public office of the state or its political subdivisions, which serves to document the organization, functions, policies, decisions, procedures, operations, or other activities of the office.

The City did not advertise for bids or was unable to provide advertisement documentation for 20 % of contracts selected for testing.

Also the City could not provide any bidding documentation such as copies of the actual bids received or bid tabulation sheets for 8% of the contracts tested.

For these contracts the City approved an ordinance for the City to enter into a contract for goods or services in an amount greater than \$15,000, goods or services were received, purchase orders were issued by the Finance Director and vendors received payments. However the City was unable to provide documentation regarding advertisement and/ or bidding for contractual commitments. The City does assert that all contracts were properly advertised and let for bid

Additionally, the City awarded a contract during the audit period where the lowest bidder was not selected. This contract was originally let for bid in FY 2000 and was not awarded; the City then in FY 2002 selected some of the original bidders and additional outside firms and solicited bids. Once the solicited bids were received, the lowest bidder was not selected. The City Council did not specifically address the reason why an apparent lowest bidder was not awarded a contract in the resolution awarding the contract.

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

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2002-005 – (Continued)
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Noncompliance – Contracts Bidding Documentation (Continued)

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

Finding Number	2002-006
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Noncompliance - Appropriations limited by estimated revenue.

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

The City's appropriations exceeded the amount of estimated resources certified by the County Budget Commission. For the year under audit amended appropriations exceeded estimated resources in the following funds and amounts:

Fund	Total Estimated Resources	Total Amended Appropriations	Appropriations exceeded Estimated Resources
Special Revenue Funds			
Permissive	\$ 151,012	\$ 220,248	\$ 69,236
Recreation	\$ 161,839	\$ 172,755	\$ 10,916
Senior Fund	\$ 0	\$ 1,000	\$ 1,000
Convention/ Visitors Bur.	\$ 163,265	\$ 200,000	\$ 36,735
Capital Project Funds			
SR 43 Widening	\$1,200,000	\$1,600,000	\$400,000
Enterprise Fund			
Water Reserve	\$ 370,000	\$ 736,485	\$366,485
Debt Service Fund			
Special Assessment Bond Retirement	\$ 45,254	\$ 52,400	\$ 7,146

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

Additionally, the City made eleven amendments to the original permanent appropriations, yet none of these amendments were sent to the County Auditor in order to receive the proper certificate indicating total appropriations do not exceed the total official estimate or amended official estimate. Not all of these

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2002-006 (Continued)
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Noncompliance - Appropriations limited by estimated revenue (Continued)

appropriation amendments were posted correctly to the City's computerized budgetary accounting system.

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

Fund Type/ Name	Total Original Appropriation	Total Amendments To Appropriations	Total Final Appropriations With Amendments by Council
General Fund	\$7,069,625.00	\$ 243,332.45	\$7,314,057.45
Special Revenue Funds	\$1,284,254.00	\$ 109,284.00	\$1,393,538.00
Capital Project Funds	\$2,273,663.00	\$ 482,101.50	\$2,755,764.50
Debt Service Fund	\$ 653,040.00	\$ 300,100.00	\$ 953,140.00
Enterprise Funds	\$1,672,101.00	\$ 635,900.00	\$2,308,001.00

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

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

Finding Number	2002-007
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Noncompliance – Budgetary – Restrictions On The Expenditure of Monies

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

Fund Type/ Name	Total Appropriation	Total Expenditures	Amount Exceeded
Special Revenue			
Revolving Loan	\$ 390	\$100,050	\$ 99,660
Capital Project Funds			
Capital Improvements	\$690,568	\$872,227	\$181,659

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

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

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2002-008
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Recommendation - Payroll Clearing Account Reconciliation/ Stale Checks

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

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

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

Finding Number	2002-009
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Recommendation - Budgetary Updating of Computer system

The City of Streetsboro did not post appropriation amendment amounts to its financial records (computer system) as noted in finding number 2002-006. As a result, the City did not have the ability to review its financial records and compare actual amounts with estimated amounts throughout the year.

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

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

Finding Number	2002-010
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Recommendation - Overall Receipt Postings

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

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2002-010 (Continued)
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Recommendation - Overall Receipt Postings

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

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

Finding Number	2002-011
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Recommendation - Fixed Assets:

During testing of fixed assets we noted the following;

1. The City does not have a formal policy for either capitalized or controlled fixed assets nor is there a policy for inventory procedures. The City should have a formalized fixed asset policy and inventory policy in place
2. The current City Property Management System does not have a complete listing of all assets meeting the City's capitalization threshold. The City was only able to locate the fixed asset listings of additions and deletions produced by the accountants performing the GAAP conversion, which do not provide all the serial numbers or adequate descriptions to identify all assets. This condition has been communicated to the City as a reportable condition in the audit reports for 1998, 1999, 2000 and 2001. The City provided a dollar amount for 2001 fixed assets; however, the City was unable to provide a fixed asset listing for fiscal year 2001. A listing was provided for fiscal year 2002. The 2002 listing was compiled by the conversion team using the comprehensive listing from 1995 and then adjusting additions and deletions for the current year and using prior additions and deletions listings for the intervening years.
3. The City's capitalized asset listing for fiscal year 2002 had a number of erroneous entries. We found assets that were recorded in one department but were actually located in a different department. We also found items at the various departments that were not on the listing and items on the listing that had been disposed of by the City in previous years. Some assets had a City tag attached while most did not. There were different names utilized for the same types of items on the listing for fiscal year 2002. There were items which did not have serial numbers used as identifiers and/or the listing named an item without proper description (e.g., serial number, model number or model name).
4. For fiscal year 2002, errors noted for additions to fixed assets, including capitalized lease amounts, totaled \$19,922 and errors noted for deletions, including trade-in errors, totaled \$213,615. Additionally, there were errors in the Enterprise Fund in FY 2001 regarding unrecorded additions which affected FY 2002 accumulated depreciation resulting in unrecorded depreciation of \$50,546. These adjustments were made to the financial statements.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2002-011 (Continued)
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Recommendation - Fixed Assets: (Continued)

We recommend the following:

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

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

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

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

CITY OF STREETSBORO
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002
(Continued)

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

Finding Number	2002-012
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Recommendation Budgetary – Amended Certificate of Estimated Resources

During the year under audit, an amended certificate of estimated resources was not filed with or approved by the County Budget Commission. Actual revenues were less than estimated revenues and actual expenditures exceeded estimated revenues in the following funds: general fund, nine special revenue funds, three capital project funds, all debt service funds, and one enterprise fund. Additionally actual revenues were greater than estimated revenues and actual expenditures exceeded estimated revenues for two special revenue funds.

Although permitted by the Ohio Revised Code, the City did not request an amended Certificate of Estimated Resources.

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

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

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid (Explain)
2001-001	ORC 5705.41(D) – Certificate of Availability of Funds	No	Not Corrected – Reissued as Finding No 2002--003
2001-002	ORC 735.05 and ORC 153.13 – No Written Contract and No Labor and Material Breakdown Provided	No	Not Corrected – Reissued as Finding No 2002-004
2001-003	ORC 735.05 and ORC 149.351 (A) and ORC 149.011 (G) – The City did not advertise for bids or was unable to provide advertisement documentation	No	Not Corrected – Reissued as Finding No 2002-005
2001-004	ORC 5705.39 – Appropriations Limited By Estimated Revenue	No	Not Corrected – Reissued as Finding No 2002-006
2001-005	ORC 5705.41(B) – Restrictions on the Expenditure of Monies	No	Not Corrected – Reissued as Finding No 2002-007
2001-006	Recommendation – Payroll Clearing Account Reconciliation/Stale Checks	No	Not Corrected – Reissued as Finding No 2002-008
2001-007	Recommendation – Budgetary Updating of Computer System – The City did not post appropriation amendments to its financial records (Computer System)	No	Not Corrected – Reissued as Finding No 2002-009
2001-008	Recommendation – Overall Receipt Posting – Numerous revenue and expenditures were not posted to the correct account codes	No	Not Corrected – Reissued as Finding No 2002-010
2001-009	Recommendation – Fixed Assets - – Fixed Assets - The City should complete a physical Inventory of Fixed Assets; implement a comprehensive and uniform fixed asset system and should adopt a formal policy for fixed assets	No	Not Corrected – Reissued as Finding No 2002-011
2001-010	Recommendation – Amended Certificate of Estimated Resources – Failure to request an amended certificate of estimated resources	No	Not Corrected – Reissued as Finding No 2002-012



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CITY OF STREETSBORO

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 16, 2003**