



**Auditor of State  
Betty Montgomery**



CITY OF WICKLIFFE  
LAKE COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report . . . . .	1
General Purpose Financial Statements – December 31, 2002. . . . .	3
Notes to the General Purpose Financial Statements – December 31, 2002 . . . . .	11
General Purpose Financial Statements – December 31, 2001. . . . .	33
Notes to the General Purpose Financial Statements – December 31, 2001. . . . .	41
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> . . . . .	65
Schedule of Findings. . . . .	67
Schedule of Prior Audit Findings . . . . .	70

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

City of Wickliffe  
Lake County  
28730 Ridge Road  
Wickliffe, Ohio 44092

To the Members of City Council:

We have audited the accompanying general-purpose financial statements of the City of Wickliffe, Lake County, Ohio, (the City) as of and for the years ended December 31, 2002 and December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Wickliffe, Lake County, Ohio, as of December 31, 2002 and December 31, 2001, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 of the 2001 general purpose financial statement, during the year ended December 31, 2001, the City adopted Government Accounting Standards Board Statements No. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 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

May 16, 2003

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**CITY OF WICKLIFFE, LAKE COUNTY  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 2002**

	<b>Governmental Fund Types</b>			<b>Proprietary Fund Type</b>		<b>Fiduciary Fund Types</b>		<b>Account Groups</b>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)	
<b>Assets and Other Debits:</b>										
<b>Assets:</b>										
Cash and Cash Equivalents	\$5,273,849	\$695,150	\$156,988	\$2,609,305	\$340,083	\$106,557	\$0	\$0	\$9,181,932	
Investments	4,943,928	0	0	2,446,072	0	0	0	0	7,390,000	
Receivables (net of allowance for doubtful accounts):										
Taxes	3,271,081	217,200	0	717,830	0	881,665	0	0	5,087,776	
Accounts	27,202	2,400	0	0	403,931	0	0	0	433,533	
Interest	96,719	0	0	0	0	0	0	0	96,719	
Special Assessments	0	49,752	0	0	0	0	0	0	49,752	
Due from Other Funds	932,431	0	0	1,213,761	0	0	0	0	2,146,192	
Intergovernmental Receivables	12,921	218,986	0	0	0	0	0	0	231,907	
Inventory of Supplies at Cost	20,690	0	0	0	0	0	0	0	20,690	
Prepaid Items	18,422	0	0	0	0	0	0	0	18,422	
Restricted Assets:										
Cash and Cash Equivalents	0	0	0	0	0	693,338	0	0	693,338	
Cash with Fiscal Agent	0	0	966	0	0	0	0	0	966	
Fixed Assets (net of accumulated depreciation)	0	0	0	0	5,223,994	0	17,763,071	0	22,987,065	
<b>Other Debits:</b>										
Amount Available in Debt Service	0	0	0	0	0	0	0	156,988	156,988	
Amount to be Provided for										
General Long-Term Obligations	0	0	0	0	0	0	0	1,479,194	1,479,194	
Total Assets and Other Debits	\$14,597,243	\$1,183,488	\$157,954	\$6,986,968	\$5,968,008	\$1,681,560	\$17,763,071	\$1,636,182	\$49,974,474	

(Continued)

**CITY OF WICKLIFFE, LAKE COUNTY  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 2002**

	<b>Governmental</b>			<b>Proprietary</b>		<b>Fiduciary</b>		<b>Account</b>		
	<b>Fund Types</b>			<b>Fund Type</b>		<b>Fund Types</b>		<b>Groups</b>		
General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	Totals	(Memorandum Only)	
Accounts Payable	\$90,572	\$16,314	\$0	\$36,652	\$0	\$0	\$0	\$143,538		
Accrued Wages and Benefits	444,170	4,276	0	0	0	0	0	448,446		
Due to Other Funds	0	0	0	0	790,000	0	0	2,146,192		
Intergovernmental Payables	18,677	0	0	0	0	0	0	18,677		
Claims Payable	23,013	0	0	0	0	0	0	280,445		
Matured Bonds and Interest Payable	0	0	966	0	0	0	0	966		
Deferred Revenue	2,679,356	394,490	0	717,830	4,921	0	0	4,015,408		
Compensated Absences Payable	0	0	0	0	0	0	0	1,293,750		
General Obligation Bonds Payable	0	0	0	0	0	0	0	85,000		
<b>Total Liabilities</b>	<b>3,255,788</b>	<b>415,080</b>	<b>966</b>	<b>754,482</b>	<b>794,921</b>	<b>0</b>	<b>1,636,182</b>	<b>8,432,422</b>		
<b>Equity and Other Credits:</b>										
Investment in General Fixed Assets	0	0	0	0	0	17,763,071	0	17,763,071		
Contributed Capital	0	0	0	0	6,500,000	0	0	6,500,000		
Retained Earnings:										
Unreserved	0	0	0	0	(1,326,913)	0	0	(1,326,913)		
Fund Balances:										
Reserved for Supplies Inventory	20,690	0	0	0	0	0	0	20,690		
Reserved for Prepaid Items	18,422	0	0	0	0	0	0	18,422		
Reserved for Interfund Loan Receivable	932,431	0	0	1,213,761	0	0	0	2,146,192		
Reserved for Debt Service	0	0	156,988	0	0	0	0	156,988		
Unreserved:										
Undesignated	10,369,912	768,408	0	5,018,725	0	106,557	0	16,263,602		
Total Equity and Other Credits	11,341,455	768,408	156,988	6,232,486	5,173,087	17,763,071	0	41,542,052		
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$14,597,243</b>	<b>\$1,183,488</b>	<b>\$157,954</b>	<b>\$6,986,968</b>	<b>\$5,968,008</b>	<b>\$17,763,071</b>	<b>\$1,636,182</b>	<b>\$49,974,474</b>		

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



**CITY OF WICKLIFFE, LAKE COUNTY**  
**COMBINED STATEMENT OF REVENUES**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds	
<b>Revenues:</b>						
Property Taxes	\$1,510,460	\$188,806	\$8,054	\$621,303	\$0	\$2,328,623
Municipal Income Taxes	5,603,210	0	0	2,546,954	0	8,150,164
Other Local Taxes	321,625	0	0	0	0	321,625
State Levied Shared Taxes	2,316,845	462,722	0	0	0	2,779,567
Intergovernmental Revenues	0	92,000	16,808	0	0	108,808
Charges for Services	89,593	94,021	0	0	0	183,614
Licenses and Permits	24,915	0	0	0	0	24,915
Investment Earnings	419,953	0	0	0	0	419,953
Special Assessments	0	169,316	0	1,496	0	170,812
Fines and Forfeitures	187,399	0	0	0	0	187,399
All Other Revenues	459,494	0	0	72,549	127,917	659,960
Total Revenues	10,933,494	1,006,865	24,862	3,242,302	127,917	15,335,440
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	4,785,431	187,760	0	0	0	4,973,191
Public Health and Welfare Services	11,912	5,271	0	0	8,076	25,259
Leisure Time Activities	199,550	358,029	0	0	0	557,579
Community Environment	185,547	47,340	0	0	0	232,887
Basic Utility Services	488,155	300,023	0	0	0	788,178
Transportation	1,505,806	462,817	0	0	0	1,968,623
General Government	3,362,668	0	0	0	107,790	3,470,458
Capital Outlay	0	0	0	3,992,394	0	3,992,394
<b>Debt Service:</b>						
Principal Retirements	0	0	85,000	0	0	85,000
Interest and Fiscal Charges	0	0	17,213	0	0	17,213
Total Expenditures	10,539,069	1,361,240	102,213	3,992,394	115,866	16,110,782
Excess (Deficiency) of Revenues Over (Under) Expenditures	394,425	(354,375)	(77,351)	(750,092)	12,051	(775,342)
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	0	215,000	0	411,800	5,000	631,800
Operating Transfers Out	(631,800)	0	0	0	0	(631,800)
Total Other Financing Sources (Uses)	(631,800)	215,000	0	411,800	5,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(237,375)	(139,375)	(77,351)	(338,292)	17,051	(775,342)
Restated Fund Balance Beginning of Year	11,605,752	907,783	234,339	6,570,778	89,506	19,408,158
Decrease in Inventory Reserve	(26,922)	0	0	0	0	(26,922)
Fund Balance End of Year	\$11,341,455	\$768,408	\$156,988	\$6,232,486	\$106,557	\$18,605,894

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

**CITY OF WICKLIFFE, LAKE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:
			Favorable (Unfavorable)			Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,531,652	\$1,510,460	(\$21,192)	\$191,456	\$188,806	(\$2,650)
Municipal Income Taxes	5,718,000	5,601,344	(116,656)	0	0	0
Other Local Taxes	351,100	332,286	(18,814)	0	0	0
State Levied Shared Taxes	1,934,648	2,182,256	247,608	470,500	430,913	(39,587)
Intergovernmental Revenues	0	0	0	124,300	92,000	(32,300)
Charges for Services	84,100	89,593	5,493	68,300	94,021	25,721
Licenses and Permits	11,300	24,915	13,615	0	0	0
Investment Earnings	391,600	429,708	38,108	0	0	0
Special Assessments	0	0	0	159,900	169,316	9,416
Fines and Forfeitures	170,000	184,635	14,635	0	0	0
All Other Revenues	326,000	451,223	125,223	4,544	0	(4,544)
Total Revenues	10,518,400	10,806,420	288,020	1,019,000	975,056	(43,944)
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	4,945,330	4,758,033	187,297	190,000	187,760	2,240
Public Health and Welfare Services	0	11,912	(11,912)	3,400	5,271	(1,871)
Leisure Time Activities	216,785	200,229	16,556	361,480	357,456	4,024
Community Environment	192,205	186,385	5,820	47,480	47,172	308
Basic Utility Services	499,800	488,155	11,645	307,700	300,023	7,677
Transportation	1,667,820	1,453,623	214,197	509,400	467,435	41,965
General Government	3,202,470	3,314,246	(111,776)	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	10,724,410	10,412,583	311,827	1,419,460	1,365,117	54,343
Excess (Deficiency) of Revenues over Expenditures	(206,010)	393,837	599,847	(400,460)	(390,061)	10,399
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	0	0	0	221,500	215,000	(6,500)
Operating Transfers Out	(294,400)	(631,800)	(337,400)	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(294,400)	(631,800)	(337,400)	221,500	215,000	(6,500)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(500,410)	(237,963)	262,447	(178,960)	(175,061)	3,899
Fund Balance at Beginning of Year	10,455,740	10,455,740	0	870,211	870,211	0
Fund Balance at End of Year	\$9,955,330	\$10,217,777	\$262,447	\$691,251	\$695,150	\$3,899

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

(Continued)

**CITY OF WICKLIFFE, LAKE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised		Variance:	Revised		Variance:
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$0	\$8,054	\$8,054	\$638,189	\$621,303	(\$16,886)
Municipal Income Taxes	0	0	0	2,390,311	2,546,065	155,754
Other Local Taxes	0	0	0	0	0	0
State Levied Shared Taxes	0	0	0	0	0	0
Intergovernmental Revenues	16,800	16,808	8	0	0	0
Charges for Services	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Special Assessments	0	0	0	0	1,496	1,496
Fines and Forfeitures	0	0	0	0	0	0
All Other Revenues	0	0	0	0	81,549	81,549
<b>Total Revenues</b>	<b>16,800</b>	<b>24,862</b>	<b>8,062</b>	<b>3,028,500</b>	<b>3,250,413</b>	<b>221,913</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare Services	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Basic Utility Services	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Capital Outlay	0	0	0	6,942,100	3,961,907	2,980,193
<b>Debt Service:</b>						
Principal Retirement	85,000	85,000	0	0	0	0
Interest and Fiscal Charges	17,200	17,213	(13)	0	0	0
<b>Total Expenditures</b>	<b>102,200</b>	<b>102,213</b>	<b>(13)</b>	<b>6,942,100</b>	<b>3,961,907</b>	<b>2,980,193</b>
Excess (Deficiency) of Revenues over Expenditures	(85,400)	(77,351)	8,049	(3,913,600)	(711,494)	3,202,106
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	0	0	0	336,200	411,800	75,600
Operating Transfers Out	0	0	0	0	0	0
Advances In	0	0	0	600,000	600,000	0
Advances Out	0	0	0	(740,000)	(790,000)	(50,000)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>196,200</b>	<b>221,800</b>	<b>25,600</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(85,400)	(77,351)	8,049	(3,717,400)	(489,694)	3,227,706
Fund Balance at Beginning of Year	234,339	234,339	0	5,545,071	5,545,071	0
Fund Balance at End of Year	\$148,939	\$156,988	\$8,049	\$1,827,671	\$5,055,377	\$3,227,706

(Continued)

**CITY OF WICKLIFFE, LAKE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<i>Expendable Trust Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$0	\$0	\$0	\$2,361,297	\$2,328,623	(\$32,674)
Municipal Income Taxes	0	0	0	8,108,311	8,147,409	39,098
Other Local Taxes	0	0	0	351,100	332,286	(18,814)
State Levied Shared Taxes	0	0	0	2,405,148	2,613,169	208,021
Intergovernmental Revenues	0	0	0	141,100	108,808	(32,292)
Charges for Services	0	0	0	152,400	183,614	31,214
Licenses and Permits	0	0	0	11,300	24,915	13,615
Investment Earnings	0	0	0	391,600	429,708	38,108
Special Assessments	0	0	0	159,900	170,812	10,912
Fines and Forfeitures	0	0	0	170,000	184,635	14,635
All Other Revenues	94,900	127,917	33,017	425,444	660,689	235,245
Total Revenues	94,900	127,917	33,017	14,677,600	15,184,668	507,068
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	0	0	0	5,135,330	4,945,793	189,537
Public Health and Welfare Services	3,900	8,076	(4,176)	7,300	25,259	(17,959)
Leisure Time Activities	0	0	0	578,265	557,685	20,580
Community Environment	0	0	0	239,685	233,557	6,128
Basic Utility Services	0	0	0	807,500	788,178	19,322
Transportation	0	0	0	2,177,220	1,921,058	256,162
General Government	76,400	107,790	(31,390)	3,278,870	3,422,036	(143,166)
Capital Outlay	0	0	0	6,942,100	3,961,907	2,980,193
Debt Service:						
Principal Retirement	0	0	0	85,000	85,000	0
Interest and Fiscal Charges	0	0	0	17,200	17,213	(13)
Total Expenditures	80,300	115,866	(35,566)	19,268,470	15,957,686	3,310,784
Excess (Deficiency) of Revenues over Expenditures	14,600	12,051	(2,549)	(4,590,870)	(773,018)	3,817,852
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	0	5,000	5,000	557,700	631,800	74,100
Operating Transfers Out	0	0	0	(294,400)	(631,800)	(337,400)
Advances In	0	0	0	600,000	600,000	0
Advances Out	0	0	0	(740,000)	(790,000)	(50,000)
Total Other Financing Sources (Uses)	0	5,000	5,000	123,300	(190,000)	(313,300)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	14,600	17,051	2,451	(4,467,570)	(963,018)	3,504,552
Fund Balance at Beginning of Year	89,506	89,506	0	17,194,867	17,194,867	0
Fund Balance at End of Year	\$104,106	\$106,557	\$2,451	\$12,727,297	\$16,231,849	\$3,504,552

**CITY OF WICKLIFFE, LAKE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u><i>Sewer Fund</i></u>
<u>Operating Revenues:</u>	
Charges for Service	\$1,335,145
Total Operating Revenues	<u>1,335,145</u>
<u>Operating Expenses:</u>	
Contractual Services	1,416,416
Depreciation Expense	<u>170,529</u>
Total Operating Expenses	<u>1,586,945</u>
Net Loss	(251,800)
Retained Earnings:	
Accumulated Deficit at Beginning of Year	<u>(1,075,113)</u>
Accumulated Deficit at End of Year	<u><u>(\$1,326,913)</u></u>

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

**CITY OF WICKLIFFE, LAKE COUNTY**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u><i>Sewer Fund</i></u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,329,197
Cash Payments for Goods and Services	<u>(1,416,416)</u>
Net Cash Used for Operating Activities	<u>(87,219)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Advances In from Other Funds	790,000
Advances Out to Other Funds	<u>(600,000)</u>
Net Cash Provided by Noncapital Financing Activities	<u>190,000</u>
Net Increase in Cash and Cash Equivalents	102,781
Cash and Cash Equivalents at Beginning of Year	<u>237,302</u>
Cash and Cash Equivalents at End of Year	<u><u>\$340,083</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$251,800)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation Expense	170,529
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(5,861)
Decrease in Deferred Revenue	<u>(87)</u>
Total Adjustments	<u>164,581</u>
Net Cash Used for Operating Activities	<u><u>(\$87,219)</u></u>

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

**CITY OF WICKLIFFE, LAKE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Wickliffe, Ohio (the City) is a home-rule municipal corporation created under the laws of the State of Ohio. The current Charter, which provides for a Council-Mayor form of government was adopted on July 17, 1951, and has subsequently been amended.

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary fund. The financial statements are presented as of December 31, 2002 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

**A. Reporting Entity**

The accompanying general purpose financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, account groups, agencies, boards and commissions that are part of the primary government, which includes the following services: police and fire protection, emergency medical, parks, recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and maintains the wastewater collection system which is reported as an enterprise fund. Wastewater treatment services are provided to the City of Wickliffe by the City of Euclid, Ohio, which owns and operates the wastewater treatment facilities.

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Wickliffe did not contribute to NOPEC during 2002. Financial information can be obtained by contacting Dan DiLiberto, Board Chairman, 1615 Clark Avenue, Cleveland, Ohio 44109.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

**B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

***Governmental Funds***

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The measurement focus is upon determination of flow of current financial resources (sources, uses and balances of financial resources). The following are the City's governmental fund types:

General Fund - This fund is used to account for all financial resources except those 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 and the limitations of the City Charter.

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

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general obligation and special assessment long-term debt principal and interest other than that accounted for in the proprietary fund.

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 the proprietary fund).



## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation - Fund Accounting** (Continued)***Proprietary Fund***

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise fund is accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e. net assets) is segregated into contributed capital and retained earnings components. The enterprise fund operating statement presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

***Fiduciary Funds***

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains expendable trust funds, and agency funds. Expendable trust funds are accounted for and reported similarly to governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the City other than those accounted for in the proprietary fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 30 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, gasoline tax, and local government assistance). Other revenue, including licenses, permits, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Special assessment installments, including related accrued interest, which are measurable but not available at December 31 are recorded as deferred revenue. Property taxes measurable as of December 31, 2002 and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Pursuant to GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,"* the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process**

The annual budgetary process is prescribed by Charter and 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 appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is within each fund, except for the General Fund which is within department and function. Budgetary modifications may only be made by ordinance of the City Council.

1. Tax Budget

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2002.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process** (Continued)

**3. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund level except for the General Fund which is at the department and function level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among funds and within department and function for the General Fund may be modified during the year by an ordinance of City Council. The budgetary figures which appear in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types and Expendable Trust Funds are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

**5. Lapsing of Appropriations**

At the close of each fiscal 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 subsequent fiscal year and need not be reappropriated.

**6. Budgetary Basis of Accounting**

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues are recorded when received in cash and expenditures are recorded when paid or encumbered. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

**6. Budgetary Basis of Accounting (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budget basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds
GAAP Basis (as reported)	(\$237,375)	(\$139,375)	(\$77,351)	(\$338,292)	\$17,051
Increase (Decrease):					
Accrued Revenues at December 31, 2002 received during 2003	(1,660,998)	(93,848)	0	(1,213,761)	0
Accrued Revenues at December 31, 2001 received during 2002	1,533,924	62,039	0	1,031,872	0
Accrued Expenditures at December 31, 2002 paid during 2003	576,432	20,590	0	36,652	0
Accrued Expenditures at December 31, 2001 paid during 2002	(446,459)	(24,467)	0	(6,165)	0
2001 Prepays for 2002	14,935	0	0	0	0
2002 Prepays for 2003	(18,422)	0	0	0	0
Budget Basis	<u>(\$237,963)</u>	<u>(\$175,061)</u>	<u>(\$77,351)</u>	<u>(\$489,694)</u>	<u>\$17,051</u>

**E. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, The State Treasury Asset Reserve (STAR Ohio) and short-term certificates of deposit with an original maturity of three months or less. Certificates of deposit meeting the previously noted maturity limit and STAR Ohio are considered cash equivalents because they are highly liquid investments.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary fund considers its share of equity in pooled certificates of deposit with original maturities of three months or less and STAR Ohio to be cash equivalents. See Note 3, "Pooled Cash, Cash Equivalents and Investments."

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****F. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. Certificates of deposit with original maturities of more than three months are reported as investments in the general purpose financial statements. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. See Note 3 "Cash, Cash Equivalents and Investments." The City allocates all interest on pooled investments to the General Fund.

The City has invested funds in the STAR Ohio during 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.

During the year, the City invested in repurchase agreements, but at year end the City was not invested in any repurchase agreements.

**G. Inventory**

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary fund. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and expenses in the proprietary fund when used.

**H. Fixed Assets and Depreciation**

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

**1. Property, Plant and Equipment - General Governmental Purposes**

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

The City has elected not to record depreciation in the General Fixed Asset Account Group.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Fixed Assets and Depreciation (Continued)**

**2. Property, Plant and Equipment - Proprietary Fund**

Property, plant and equipment (sewer lines) acquired by the proprietary fund are stated at appraised historical cost. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (Years)</u>
Improvements Other than Buildings	65

**I. Long-Term Obligations**

Long-Term obligations are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Debt Service Fund
Compensated Absences	General Fund
Claims Payable	General Fund

Property taxes are the primary funding source for this fund, therefore, the Sewer Fund debt is included in the Debt Service Fund within the Governmental Fund Type category.

**J. Compensated Absences**

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

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "accrued wages and benefits." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

**K. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

1. Operating transfers are reported as Other Financing Sources and Uses in the governmental funds, as "Operating transfers in" by the recipient fund, and "Operating transfers out" by the disbursing fund.
2. Residual Equity Transfers are non routine or non recurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers during 2002.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

**M. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials, prepaid items, interfund loans receivable and debt service.

**N. Total Columns on Combined Financial Statements - Overview**

Total columns on the Combined Statements-Overview 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, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.



**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

**A. Fund Deficit**

The fund deficit at December 31, 2002 of \$1,326,913 in the Sewer Fund arise from the recognition of expenses on the accrual basis of accounting which are greater than expenses on the cash basis of accounting. A deficit does not exist under the cash basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

**B. Excess Expenditures over Appropriations**

The primary level of budgetary control is within each fund, except for the General Fund which is within each department and function. For the year ended December 31, 2002, expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Excess</u>	<u>Fund</u>	<u>Excess</u>
<i>General Fund:</i>		<i>Debt Service Fund:</i>	
<b>Security-Traffic Control-Adm-Prisoners</b>	\$34,554	<b>Debt Service Fund:</b>	\$13
<b>General Government</b>	449,176		
<i>Special Revenue Funds:</i>		<i>Expendable Trust Funds:</i>	
<b>Weed Control Fund:</b>	1,870	<b>Police Trust Fund:</b>	4,176
<b>Senior Center Fund:</b>	6,082	<b>Deposit Trust Fund:</b>	31,390

The excess expenditures were funded from available fund balance.

**C. Encumbrance System**

Ohio Revised Code requires the City to reserve (encumber) appropriations when commitments are made. The City did not properly use the encumbrance method of accounting. For December 31, 2002, the City was in violation of ORC 5705.41(D) for failure to certify the availability of funds for expenditure transactions.

**NOTE 3 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of a majority of individual funds are combined to form a pool of cash and cash equivalents. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents."

Ohio law requires the classification of funds held by the City into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

**NOTE 3 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, *"Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,"* collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

Investment earnings of \$171,420 earned by other funds was credited to the General Fund as required by state statute.

**NOTE 3 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

***Deposits:***

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

***Investments:***

- Category 1 Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

**A. Deposits**

At year end the carrying amount of the City's deposits was \$8,566,236 and the bank balance was \$9,385,441. Federal depository insurance covered \$500,000 of the bank and deposits balance, and all remaining deposits were classified as Category 3.

**B. Investments**

The City's investments at December 31, 2002 are summarized below:

	<u>Fair Value</u>
STAR Ohio	\$8,700,000

Non-Categorized investments are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3.

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

A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$9,876,236	\$7,390,000
Certificates of Deposit (with maturities of more than 3 months)	7,390,000	(7,390,000)
Investments:		
STAR Ohio	<u>(8,700,000)</u>	<u>8,700,000</u>
Per GASB Statement No. 3	<u>\$8,566,236</u>	<u>\$8,700,000</u>

\* Includes Cash with Fiscal Agent.

**NOTE 4 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) collected during 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property must be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2002. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 25 percent of its true value and public utility real property is assessed at 35 percent of appraised market value. Public utility property taxes are payable on the same dates as real property described previously.

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

The full tax rate for all City operations for the year ended December 31, 2002, was \$7.40 per \$1,000 of assessed value. The assessed value upon which the 2002 property tax receipts were based was \$324,811,576. This amount constitutes \$187,385,470 in real property assessed value, \$74,879,950 in public utility assessed value and \$62,546,156 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .74% (7.4 mills) of assessed value.

**NOTE 4 – TAXES (Continued)**

**B. Income Tax**

The City levies a tax of 2% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on the income of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employees compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

**NOTE 5 - RECEIVABLES**

Receivables at December 31, 2002, consisted of taxes, interest, accounts receivable, special assessments interfund and intergovernmental receivables arising from shared revenues.

**NOTE 6 - OPERATING TRANSFERS**

Following is a summary of operating transfers for all funds for 2002:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$631,800
Special Revenue Funds:		
Swimming Pool Fund	150,000	0
Lake Transportation Fund	12,000	0
Litter Control Fund	48,000	0
Senior Citizens Fund	5,000	0
Total Special Revenue Funds	215,000	0
Capital Projects Funds:		
Capital Projects Fund	39,600	0
Special Projects Fund	372,200	0
Total Capital Projects Funds	411,800	0
Expendable Trust Fund:		
Police/Fire Trust Fund	5,000	0
Totals	<u>\$631,800</u>	<u>\$631,800</u>

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES**

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

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$932,431	\$0
Capital Projects Funds:		
Capital Project Fund	423,761	0
Special Project Fund	790,000	0
Total Capital Projects Funds	<u>1,213,761</u>	<u>0</u>
Enterprise Fund:		
Sewer Fund	0	790,000
Agency Fund:		
Income Tax Agency	<u>0</u>	<u>1,356,192</u>
Totals	<u><u>\$2,146,192</u></u>	<u><u>\$2,146,192</u></u>

**NOTE 8 - FIXED ASSETS**

**A. General Fixed Assets**

Summary by category of changes in general fixed assets:

<u>Category</u>	<u>December 31, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2002</u>
Land	\$1,346,476	\$0	\$0	\$1,346,476
Buildings	7,289,555	0	0	7,289,555
Improvements Other than Buildings	813,115	8,078	(159,386)	661,807
Machinery and Equipment	7,989,584	475,649	0	8,465,233
Totals	<u><u>\$17,438,730</u></u>	<u><u>\$483,727</u></u>	<u><u>(\$159,386)</u></u>	<u><u>\$17,763,071</u></u>

**B. Proprietary Fixed Assets**

Summary by Category at December 31, 2002:

<u>Category</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Utility Structures in Service	<u><u>\$11,570,120</u></u>	<u><u>(\$6,346,126)</u></u>	<u><u>\$5,223,994</u></u>

**NOTE 8 - FIXED ASSETS (Continued)**

**C. Contributed Capital**

There were no changes to contributed capital in the enterprise fund during 2002.

Balance at Beginning of Year	\$6,500,000
Additions:	
Contributions from Other Funds	<u>0</u>
Balance at End of Year	<u>\$6,500,000</u>

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

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

**A. Ohio Public Employees Retirement System (the “Ohio PERS”)**

The following information was provided by the Ohio PERS to assist the City in complying with GASB Statement No. 27, “Accounting for Pensions by State and Local Government Employers.”

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the Ohio PERS, a cost-sharing multiple employer defined benefit pension plan. The Ohio PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2002 employer contribution rate for local government employer units was 13.55%, of covered payroll, 8.55% to fund the pension and 5.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2002, 2001 and 2000 were \$457,514, \$429,124 and \$341,926, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2002 employer contribution rate (identified above) that was used to fund health care for the year 2002 was 5.0% of covered payroll which amounted to \$168,824.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)****A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)**

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System’s latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually.

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

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2002, 2001 and 2000 were \$350,974, \$343,089 and \$327,844 for police and \$295,151, \$280,909 and \$279,467 for firefighters, respectively, which were equal to the required contributions for each year.



**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2002 covered payroll that was used to fund postemployment health care benefits was \$139,490 representing 7.75% of covered payroll for police and \$95,309 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2001, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,174 for police and 10,239 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2001 were \$122,298,771, which was net of member contributions of \$6,874,699.

**NOTE 10 – COMPENSATED ABSENCES**

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

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

Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. The liability increased \$86,740 from the beginning year balance of \$1,207,010 to a year end balance of \$1,293,750.

**NOTE 10 – COMPENSATED ABSENCES (Continued)**

At December 31, 2002, the total accumulated unpaid leave time recorded in the General Long-Term Obligations Account Group was:

	<u>Days</u>	<u>Amount</u>
Sick Leave	5,894	\$1,176,824
Vacation	253	53,544
Compensatory Time	319	63,382
Total	<u>6,466</u>	<u>\$1,293,750</u>

**NOTE 11 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Long-Term debt and other long-term obligations of the City at December 31, 2002 were as follows:

<u>Year Issued</u>	<u>Final Maturity</u>	<u>Balance December 31, 2001</u>	<u>Issued (Retired)</u>	<u>Balance December 31, 2002</u>
<b>General Obligation Long-Term Debt:</b>				
<b>General Obligation Bonds:</b>				
1983 Rockerfeller Road	2003	\$100,000	(\$50,000)	\$50,000
1983 Rush Road	2003	50,000	(25,000)	25,000
1983 Clayton Road	2003	20,000	(10,000)	10,000
Total General Obligation Bonds		<u>170,000</u>	<u>(85,000)</u>	<u>85,000</u>
<b>Other Long-Term Obligations:</b>				
Claims Payable		0	257,432	257,432
Compensated Absences		1,207,010	86,740	1,293,750
Total Other Long-Term Obligations		<u>1,207,010</u>	<u>344,172</u>	<u>1,551,182</u>
Total General Long-Term Debt and Other Long-Term Obligations		<u>\$1,377,010</u>	<u>\$259,172</u>	<u>\$1,636,182</u>

General obligation bonds will be paid from the Debt Service Fund with property taxes collected. Compensated absences and claims payable will be paid from the General Fund.

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2002 follows:

<u>Years</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2003	\$85,000	\$8,606	\$93,606
Totals	<u>\$85,000</u>	<u>\$8,606</u>	<u>\$93,606</u>

**NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUND**

Included in the services provided by the City is wastewater collection which is financed primarily by user charges. The key financial information for the year ended December 31, 2002 for this enterprise activity is as follows:

	<u>Sewer</u>
Operating Revenues	\$1,335,145
Depreciation	170,529
Net Loss	(251,800)
Assets	5,968,008
Net Working Capital	(50,907)
Total Equity	5,173,087

**NOTE 13 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is a member of the Ohio Government Risk Management Plan (OGRMP), a public entity risk plan formed under the provisions of Section 2744.081 of the Ohio Revised Code. OGRMP is a "fixed cost, fully reinsured, non-assessable program" for over 550 member political subdivisions. The organization is controlled by a Board of Directors comprised of public officials from participating members. Coverage is 100% reinsured over the insured's deductibles. The City pays an annual premium to OGRMP for its general insurance coverage. The agreement for formation of OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure through commercial insurance and reinsurance companies.

The following is a summary of insurance coverages at year end:

<u>Coverage</u>		
Comprehensive General Liability	\$1,000,000	per occurrence
Law Enforcement Professional Liability	1,000,000	per occurrence
Public Officials Errors and Omissions	1,000,000	per occurrence
Property	13,316,592	per occurrence
Bond/Crime	25,000/50,000	per occurrence
Boiler and Machinery	13,316,592	per occurrence
Automobile Liability	2,000,000	per occurrence

The City provides two alternative forms of major medical health insurance coverage for its employees. The first is Health Maintenance Organization (HMO) operated by Blue Cross & Blue Shield Mutual of Ohio as HMO Health Ohio. The second form of major medical insurance is a self-funded health insurance program with claims processed by Administrative Service Consultants, on behalf of the City. The City uses the general fund to account for its risk financing and the claims liabilities are reflected within the general fund.

**NOTE 13 - RISK MANAGEMENT (Continued)**

As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$27,500 per individual per year up to a maximum of \$1,000,000 per individual per lifetime. Settled claims have not exceeded the commercial coverage limits in any of the past six fiscal years.

A self-insurance fund maintains a balance of \$56,369 which serves as a reserve for catastrophic losses. Total contributions to the program during 2002 were \$276,080. The claims liability of \$23,013 reported in the general fund at December 31, 2002 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claims liability amount in fiscal 2001 and 2002 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2001	\$18,725	\$380,961	(\$371,582)	\$28,104
2002	28,104	270,989	(276,080)	23,013

Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs. Unemployment claims are paid to the Ohio Department of Job and Family Services as incurred.

**NOTE 14 – SUBSEQUENT EVENT**

Subsequent to the date of the financial statements contained herein, litigation in the case of Philip A. Kouwe vs. the City of Wickliffe, et al., United States District Court Case No. 1:01 CV 0428 was terminated by court order dated March 21, 2003, entering a judgment in favor of Philip A. Kouwe and his attorneys Joseph W. Diemert, Jr. & Associates. The settlement calls for the City to pay to the plaintiff and his counsel the sum of \$257,432.12. City Council did pass Ordinance No. 2003-24 on April 14, 2003, approving the settlement.

**NOTE 15 - CONTINGENCIES**

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**CITY OF WICKLIFFE, LAKE COUNTY  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 2001**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Fund	Trust and Agency Funds	General Fixed Assets		Long-Term Obligations
<b>Assets and Other Debits:</b>									
<b>Assets:</b>									
Cash and Cash Equivalents	\$6,071,086	\$870,211	\$234,339	\$3,219,725	\$237,302	\$89,506	\$0	\$0	\$10,722,169
Investments	4,384,654	0	0	2,325,346	0	0	0	0	6,710,000
Receivables (net of allowance for doubtful accounts):									
Taxes	3,150,205	215,840	0	718,646	0	891,357	0	0	4,976,048
Accounts	18,777	1,200	0	9,000	398,070	0	0	0	427,047
Interest	134,038	0	0	0	0	0	0	0	134,038
Special Assessments	0	50,638	0	0	0	0	0	0	50,638
Due from Other Funds	930,565	0	0	1,022,872	0	0	0	0	1,953,437
Intergovernmental Receivables	10,157	186,117	0	0	0	0	0	0	196,274
Inventory of Supplies at Cost	47,612	0	0	0	0	0	0	0	47,612
Prepaid Items	14,935	0	0	0	0	0	0	0	14,935
Restricted Assets:									
Cash and Cash Equivalents	0	0	0	0	0	622,769	0	0	622,769
Cash with Fiscal Agent	0	0	966	0	0	0	0	0	966
Fixed Assets (net of accumulated depreciation)	0	0	0	0	5,394,523	0	17,438,730	0	22,833,253
<b>Other Debits:</b>									
Amount Available in Debt Service Amount to be Provided for	0	0	0	0	0	0	0	234,339	234,339
General Long-Term Obligations	0	0	0	0	0	0	0	1,142,671	1,142,671
Total Assets and Other Debits	\$14,762,029	\$1,324,006	\$235,305	\$7,295,589	\$6,029,895	\$1,603,632	\$17,438,730	\$1,377,010	\$50,066,196

(Continued)

**CITY OF WICKLIFFE, LAKE COUNTY  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 2001**

	Governmental			Proprietary		Fiduciary		Account		
	Fund Types			Fund Type		Fund Types		Groups		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Fund	Trust and Agency Funds	General Fixed Assets	Long-Term Obligations	Totals	(Memorandum Only)
<b>Liabilities, Equity and Other Credits:</b>										
<b>Liabilities:</b>										
Accounts Payable	\$96,017	\$780	\$0	\$6,165	\$0	\$0	\$0	\$0	\$0	\$102,962
Accrued Wages and Benefits	311,814	23,687	0	0	0	0	0	0	0	335,501
Due to Other Funds	0	0	0	0	600,000	1,353,437	0	0	0	1,953,437
Intergovernmental Payables	10,524	0	0	0	0	0	0	0	0	10,524
Claims Payable	28,104	0	0	0	0	0	0	0	0	28,104
Matured Bonds and Interest Payable	0	0	966	0	0	0	0	0	0	966
Deferred Revenue	2,709,818	391,756	0	718,646	5,008	160,689	0	0	0	3,985,917
Compensated Absences Payable	0	0	0	0	0	0	0	0	0	1,207,010
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	0	170,000
Total Liabilities	3,156,277	416,223	966	724,811	605,008	1,514,126	0	0	0	7,794,421
<b>Equity and Other Credits:</b>										
Investment in General Fixed Assets	0	0	0	0	0	0	17,438,730	0	0	17,438,730
Contributed Capital	0	0	0	0	6,500,000	0	0	0	0	6,500,000
Retained Earnings:										
Unreserved	0	0	0	0	(1,075,113)	0	0	0	0	(1,075,113)
Fund Balances:										
Reserved for Supplies Inventory	47,612	0	0	0	0	0	0	0	0	47,612
Reserved for Prepaid Items	14,935	0	0	0	0	0	0	0	0	14,935
Reserved for Interfund Loan Receivab	930,565	0	0	1,022,872	0	0	0	0	0	1,953,437
Reserved for Debt Service	0	0	234,339	0	0	0	0	0	0	234,339
Unreserved:										
Undesignated	10,612,640	907,783	0	5,547,906	0	89,506	0	0	0	17,157,835
Total Equity and Other Credits	11,605,752	907,783	234,339	6,570,778	5,424,887	89,506	17,438,730	0	0	42,271,775
Total Liabilities, Equity and Other Credits	\$14,762,029	\$1,324,006	\$235,305	\$7,295,589	\$6,029,895	\$1,603,632	\$17,438,730	\$1,377,010	\$0	\$50,066,196

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

**CITY OF WICKLIFFE, LAKE COUNTY**  
**COMBINED STATEMENT OF REVENUES**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds	
<b>Revenues:</b>						
Property Taxes	\$1,526,079	\$190,740	\$0	\$635,797	\$0	\$2,352,616
Municipal Income Taxes	5,983,890	0	0	2,720,074	0	8,703,964
Other Local Taxes	420,625	0	0	0	0	420,625
State Levied Shared Taxes	2,474,333	429,355	0	0	0	2,903,688
Intergovernmental Revenues	0	86,137	18,223	0	0	104,360
Charges for Services	85,623	88,602	0	0	0	174,225
Licenses and Permits	12,144	0	0	0	0	12,144
Investment Earnings	860,025	0	0	0	0	860,025
Special Assessments	0	403,843	0	1,742	0	405,585
Fines and Forfeitures	165,334	0	0	0	0	165,334
All Other Revenues	455,069	0	0	206,212	83,410	744,691
Total Revenues	11,983,122	1,198,677	18,223	3,563,825	83,410	16,847,257
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	4,702,783	190,000	0	0	0	4,892,783
Public Health and Welfare Services	11,182	8,153	0	0	1,528	20,863
Leisure Time Activities	210,471	320,302	0	0	0	530,773
Community Environment	161,173	45,386	0	0	0	206,559
Basic Utility Services	493,566	305,017	0	0	0	798,583
Transportation	1,342,218	479,761	0	0	0	1,821,979
General Government	3,187,792	0	0	0	82,802	3,270,594
Capital Outlay	0	5,409	0	3,938,255	0	3,943,664
<b>Debt Service:</b>						
Principal Retirements	0	0	85,000	0	0	85,000
Interest and Fiscal Charges	0	0	25,818	0	0	25,818
Total Expenditures	10,109,185	1,354,028	110,818	3,938,255	84,330	15,596,616
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,873,937	(155,351)	(92,595)	(374,430)	(920)	1,250,641
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	0	257,000	0	1,464,300	0	1,721,300
Operating Transfers Out	(1,721,300)	0	0	0	0	(1,721,300)
Total Other Financing Sources (Uses)	(1,721,300)	257,000	0	1,464,300	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	152,637	101,649	(92,595)	1,089,870	(920)	1,250,641
Restated Fund Balance Beginning of Year	11,437,222	806,134	326,934	5,480,908	90,426	18,141,624
Increase in Inventory Reserve	15,893	0	0	0	0	15,893
Fund Balance End of Year	\$11,605,752	\$907,783	\$234,339	\$6,570,778	\$89,506	\$19,408,158

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

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

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,506,440	\$1,526,079	\$19,639	\$188,304	\$190,740	\$2,436
Municipal Income Taxes	5,664,700	6,045,739	381,039	0	0	0
Other Local Taxes	410,300	386,026	(24,274)	0	0	0
State Levied Shared Taxes	1,942,300	2,454,333	512,033	464,600	432,084	(32,516)
Intergovernmental Revenues	0	0	0	108,400	86,137	(22,263)
Charges for Services	76,200	85,623	9,423	60,000	88,602	28,602
Licenses and Permits	10,800	12,144	1,344	0	0	0
Investment Earnings	821,400	922,980	101,580	0	0	0
Special Assessments	0	0	0	361,600	403,843	42,243
Fines and Forfeitures	170,000	163,778	(6,222)	0	0	0
All Other Revenues	242,560	453,214	210,654	0	0	0
Total Revenues	<u>10,844,700</u>	<u>12,049,916</u>	<u>1,205,216</u>	<u>1,182,904</u>	<u>1,201,406</u>	<u>18,502</u>
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	4,909,115	4,680,454	228,661	190,000	190,000	0
Public Health and Welfare Services	8,500	11,182	(2,682)	2,400	8,153	(5,753)
Leisure Time Activities	205,735	209,125	(3,390)	388,370	319,353	69,017
Community Environment	154,440	159,095	(4,655)	46,705	45,223	1,482
Basic Utility Services	502,500	493,566	8,934	305,700	305,017	683
Transportation	1,448,435	1,345,997	102,438	511,800	474,905	36,895
General Government	3,240,260	3,103,742	136,518	0	0	0
Capital Outlay	0	0	0	0	5,409	(5,409)
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>10,468,985</u>	<u>10,003,161</u>	<u>465,824</u>	<u>1,444,975</u>	<u>1,348,060</u>	<u>96,915</u>
Excess (Deficiency) of Revenues over Expenditures	375,715	2,046,755	1,671,040	(262,071)	(146,654)	115,417
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	0	0	0	205,700	257,000	51,300
Operating Transfers Out	(473,100)	(1,721,300)	(1,248,200)	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>(473,100)</u>	<u>(1,721,300)</u>	<u>(1,248,200)</u>	<u>205,700</u>	<u>257,000</u>	<u>51,300</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(97,385)	325,455	422,840	(56,371)	110,346	166,717
Fund Balance at Beginning of Year	10,130,285	10,130,285	0	759,865	759,865	0
Fund Balance at End of Year	<u>\$10,032,900</u>	<u>\$10,455,740</u>	<u>\$422,840</u>	<u>\$703,494</u>	<u>\$870,211</u>	<u>\$166,717</u>

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

(Continued)



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

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$0	\$0	\$0	\$627,683	\$635,797	\$8,114
Municipal Income Taxes	0	0	0	2,261,317	2,748,063	486,746
Other Local Taxes	0	0	0	0	0	0
State Levied Shared Taxes	0	0	0	0	0	0
Intergovernmental Revenues	18,200	18,223	23	0	0	0
Charges for Services	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Special Assessments	0	0	0	2,000	1,742	(258)
Fines and Forfeitures	0	0	0	0	0	0
All Other Revenues	0	0	0	103,000	201,558	98,558
<b>Total Revenues</b>	<b>18,200</b>	<b>18,223</b>	<b>23</b>	<b>2,994,000</b>	<b>3,587,160</b>	<b>593,160</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare Services	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Basic Utility Services	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Capital Outlay	0	0	0	6,260,600	4,091,558	2,169,042
<b>Debt Service:</b>						
Principal Retirement	85,000	85,000	0	0	0	0
Interest and Fiscal Charges	25,800	25,818	(18)	0	0	0
<b>Total Expenditures</b>	<b>110,800</b>	<b>110,818</b>	<b>(18)</b>	<b>6,260,600</b>	<b>4,091,558</b>	<b>2,169,042</b>
Excess (Deficiency) of Revenues over Expenditures	(92,600)	(92,595)	5	(3,266,600)	(504,398)	2,762,202
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	0	0	0	0	1,464,300	1,464,300
Operating Transfers Out	0	0	0	0	0	0
Advances In	0	0	0	540,000	390,000	(150,000)
Advances Out	0	0	0	(620,000)	(600,000)	20,000
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(80,000)</b>	<b>1,254,300</b>	<b>1,334,300</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(92,600)	(92,595)	5	(3,346,600)	749,902	4,096,502
Fund Balance at Beginning of Year	326,934	326,934	0	4,795,169	4,795,169	0
Fund Balance at End of Year	\$234,334	\$234,339	\$5	\$1,448,569	\$5,545,071	\$4,096,502

(Continued)

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

	<i>Expendable Trust Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$0	\$0	\$0	\$2,322,427	\$2,352,616	\$30,189
Municipal Income Taxes	0	0	0	7,926,017	8,793,802	867,785
Other Local Taxes	0	0	0	410,300	386,026	(24,274)
State Levied Shared Taxes	0	0	0	2,406,900	2,886,417	479,517
Intergovernmental Revenues	0	0	0	126,600	104,360	(22,240)
Charges for Services	0	0	0	136,200	174,225	38,025
Licenses and Permits	0	0	0	10,800	12,144	1,344
Investment Earnings	0	0	0	821,400	922,980	101,580
Special Assessments	0	0	0	363,600	405,585	41,985
Fines and Forfeitures	0	0	0	170,000	163,778	(6,222)
All Other Revenues	90,000	83,410	(6,590)	435,560	738,182	302,622
Total Revenues	90,000	83,410	(6,590)	15,129,804	16,940,115	1,810,311
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	0	0	0	5,099,115	4,870,454	228,661
Public Health and Welfare Services	1,100	1,528	(428)	12,000	20,863	(8,863)
Leisure Time Activities	0	0	0	594,105	528,478	65,627
Community Environment	0	0	0	201,145	204,318	(3,173)
Basic Utility Services	0	0	0	808,200	798,583	9,617
Transportation	0	0	0	1,960,235	1,820,902	139,333
General Government	71,300	82,802	(11,502)	3,311,560	3,186,544	125,016
Capital Outlay	0	0	0	6,260,600	4,096,967	2,163,633
Debt Service:						
Principal Retirement	0	0	0	85,000	85,000	0
Interest and Fiscal Charges	0	0	0	25,800	25,818	(18)
Total Expenditures	72,400	84,330	(11,930)	18,357,760	15,637,927	2,719,833
Excess (Deficiency) of						
Revenues over Expenditures	17,600	(920)	(18,520)	(3,227,956)	1,302,188	4,530,144
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	0	0	0	205,700	1,721,300	1,515,600
Operating Transfers Out	0	0	0	(473,100)	(1,721,300)	(1,248,200)
Advances In	0	0	0	540,000	390,000	(150,000)
Advances Out	0	0	0	(620,000)	(600,000)	20,000
Total Other Financing Sources (Uses)	0	0	0	(347,400)	(210,000)	137,400
Excess (Deficiency) of Revenues						
and Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	17,600	(920)	(18,520)	(3,575,356)	1,092,188	4,667,544
Fund Balance at Beginning of Year	90,426	90,426	0	16,102,679	16,102,679	0
Fund Balance at End of Year	\$108,026	\$89,506	(\$18,520)	\$12,527,323	\$17,194,867	\$4,667,544

**CITY OF WICKLIFFE, LAKE COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN RETAINED EARNINGS  
 PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u><i>Sewer Fund</i></u>
<u>Operating Revenues:</u>	
Charges for Service	\$1,255,672
Total Operating Revenues	<u>1,255,672</u>
<u>Operating Expenses:</u>	
Contractual Services	1,427,685
Depreciation Expense	<u>170,529</u>
Total Operating Expenses	<u>1,598,214</u>
Net Loss	(342,542)
<u>Retained Earnings:</u>	
Accumulated Deficit at Beginning of Year	<u>(732,571)</u>
Accumulated Deficit at End of Year	<u><u>(\$1,075,113)</u></u>

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

**CITY OF WICKLIFFE, LAKE COUNTY**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u><i>Sewer Fund</i></u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,284,199
Cash Payments for Goods and Services	<u>(1,427,685)</u>
Net Cash Used for Operating Activities	<u>(143,486)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Advances In from Other Funds	600,000
Advances Out to Other Funds	<u>(390,000)</u>
Net Cash Provided by Noncapital Financing Activities	<u>210,000</u>
Net Increase in Cash and Cash Equivalents	66,514
Cash and Cash Equivalents at Beginning of Year	<u>170,788</u>
Cash and Cash Equivalents at End of Year	<u><u>\$237,302</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$342,542)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation Expense	170,529
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	26,889
Increase in Deferred Revenue	<u>1,638</u>
Total Adjustments	<u>199,056</u>
Net Cash Used for Operating Activities	<u><u>(\$143,486)</u></u>

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

**CITY OF WICKLIFFE, LAKE COUNTY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Wickliffe, Ohio (the City) is a home-rule municipal corporation created under the laws of the State of Ohio. The current Charter, which provides for a Council-Mayor form of government was adopted on July 17, 1951, and has subsequently been amended.

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

**A. Reporting Entity**

The accompanying general purpose financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, account groups, agencies, boards and commissions that are part of the primary government, which includes the following services: police and fire protection, emergency medical, parks, recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and maintains the wastewater collection system which is reported as an enterprise fund. Wastewater treatment services are provided to the City of Wickliffe by the City of Euclid, Ohio, which owns and operates the wastewater treatment facilities.

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****A. Reporting Entity (Continued)**

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Wickliffe did not contribute to NOPEC during 2001. Financial information can be obtained by contacting Dan DiLiberto, Board Chairman, 1615 Clark Avenue, Cleveland, Ohio 44109.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

**B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

***Governmental Funds***

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The measurement focus is upon determination of flow of current financial resources (sources, uses and balances of financial resources). The following are the City's governmental fund types:

General Fund - This fund is used to account for all financial resources except those 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 and the limitations of the City Charter.

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

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general obligation and special assessment long-term debt principal and interest other than that accounted for in the proprietary fund.

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 the proprietary fund).

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation - Fund Accounting** (Continued)***Proprietary Fund***

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise fund is accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e. net assets) is segregated into contributed capital and retained earnings components. The enterprise fund operating statement presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

***Fiduciary Funds***

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains expendable trust funds, and agency funds. Expendable trust funds are accounted for and reported similarly to governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the City other than those accounted for in the proprietary fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 30 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, gasoline tax, and local government assistance). Other revenue, including licenses, permits, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Special assessment installments, including related accrued interest, which are measurable but not available at December 31 are recorded as deferred revenue. Property taxes measurable as of December 31, 2001 and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Pursuant to GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,"* the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process**

The annual budgetary process is prescribed by Charter and 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 appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

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

**1. Tax Budget**

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

**2. Estimated Resources**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process** (Continued)

**3. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund level except for the General Fund which is at the department and function level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among funds and within department and function for the General Fund may be modified during the year by an ordinance of City Council. The budgetary figures which appear in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types and Expendable Trust Funds are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

**5. Lapsing of Appropriations**

At the close of each fiscal 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 subsequent fiscal year and need not be reappropriated.

**6. Budgetary Basis of Accounting**

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues are recorded when received in cash and expenditures are recorded when paid or encumbered. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

**6. Budgetary Basis of Accounting (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budget basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds
GAAP Basis (as reported)	\$152,637	\$101,649	(\$92,595)	\$1,089,870	(\$920)
Increase (Decrease):					
Accrued Revenues at December 31, 2001 received during 2002	(1,533,924)	(62,039)	0	(1,031,872)	0
Accrued Revenues at December 31, 2000 received during 2001	1,600,718	64,768	0	845,207	0
Accrued Expenditures at December 31, 2001 paid during 2002	446,459	24,467	0	6,165	0
Accrued Expenditures at December 31, 2000 paid during 2001	(340,275)	(18,499)	0	(159,468)	0
2000 Prepays for 2001	14,775	0	0	0	0
2001 Prepays for 2002	(14,935)	0	0	0	0
Budget Basis	<u>\$325,455</u>	<u>\$110,346</u>	<u>(\$92,595)</u>	<u>\$749,902</u>	<u>(\$920)</u>

**E. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, The State Treasury Asset Reserve (STAR Ohio) and short-term certificates of deposit with an original maturity of three months or less. Certificates of deposit meeting the previously noted maturity limit and STAR Ohio are considered cash equivalents because they are highly liquid investments.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary fund considers its share of equity in pooled certificates of deposit with original maturities of three months or less and STAR Ohio to be cash equivalents. See Note 4, "Pooled Cash, Cash Equivalents and Investments."

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****F. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. Certificates of deposit with original maturities of more than three months are reported as investments in the general purpose financial statements. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. See Note 4 "Cash, Cash Equivalents and Investments." The City allocates all interest on pooled investments to the General Fund.

The City has invested funds in the STAR Ohio during 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2001.

During the year, the City invested in repurchase agreements, but at year end the City was not invested in any repurchase agreements.

**G. Inventory**

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary fund. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and expenses in the proprietary fund when used.

**H. Fixed Assets and Depreciation**

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

**1. Property, Plant and Equipment - General Governmental Purposes**

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

The City has elected not to record depreciation in the General Fixed Asset Account Group.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**H. Fixed Assets and Depreciation** (Continued)2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment (sewer lines) acquired by the proprietary fund are stated at appraised historical cost. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (Years)</u>
Improvements Other than Buildings	65

**I. Long-Term Obligations**

Long-Term obligations are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Debt Service Fund
Compensated Absences	General Fund

Property taxes are the primary funding source for this fund, therefore, the Sewer Fund debt is included in the Debt Service Fund within the Governmental Fund Type category.

**J. Compensated Absences**

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

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "accrued wages and benefits." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

**K. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

1. Operating transfers are reported as Other Financing Sources and Uses in the governmental funds, as "Operating transfers in" by the recipient fund, and "Operating transfers out" by the disbursing fund.
2. Residual Equity Transfers are non routine or non recurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers during 2001.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

**M. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials, prepaid items, interfund loans receivable and debt service.

**N. Total Columns on Combined Financial Statements - Overview**

Total columns on the Combined Statements-Overview 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, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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**NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

For fiscal year 2001, the City has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36 “Recipient Reporting for Certain Shared Nonexchange Revenues.” At December 31, 2000, the implementation of GASB Statement Nos. 33 and 36 had the following effect on fund balances:

Fund Name	Fund Balance as Reported 12/31/00	GASB 33/36 Implementation	Fund Balance as Restated 12/31/00
General Fund	\$11,164,630	\$272,592	\$11,437,222
Special Revenue Funds	773,341	32,793	806,134

In addition to the above noted change to fund balance the restatement of fund balances had the following effect on prior year excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:

Fund Name	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses as Reported 12/31/00	GASB 33/36 Implementation	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses as Restated 12/31/00
General Fund	\$767,890	\$272,592	\$1,040,482
Special Revenue Funds	30,359	32,793	63,152

**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

**A. Fund Deficit**

The fund deficit at December 31, 2001 of \$1,075,113 in the Sewer Fund arise from the recognition of expenses on the accrual basis of accounting which are greater than expenses on the cash basis of accounting. A deficit does not exist under the cash basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Excess Expenditures over Appropriations**

For the year ended December 31, 2001, expenditures exceeded appropriations at the object level (i.e., the legal level of budgetary control) as follows:

Fund	Excess	Fund	Excess
<i>General Fund:</i>		<i>Special Revenue Funds:</i>	
<b>Security of Persons and Property</b>		<b>LakeTran Transportation Fund:</b>	
Overtime - Police	\$14,532	Maintenance & Repairs - LakeTran	1,850
Overtime - Fire	23,987	<b>Weed Control Fund:</b>	
Amunition and Range Expenses	192	Weed Clearing	5,598
Auto-Maintenance and Repair	8,156	Weed Clearing - Deduction by Auditor	155
Paramedic Wages	3,071	<b>Senior Center Fund:</b>	
Building - Maintenance and Repair	18,386	Senior Center - Expenses	142
Fire Station Bldg. - Utilities	3,428	Senior Center - Supplies and Maintenance	1,955
Haz Mat Expenses	80	<b>Swimming Pool Fund:</b>	
Dispatchers - Overtime	2,490	Maintenance & Repairs - Pools	9,464
Police - Other Expenses	1,549	<i>Debt Service Fund:</i>	
Fire - Other Expenses	512	<b>Debt Service Fund:</b>	
Labor Wages - Traffic Department	12,351	Interest	19
School Guard Wages	6,523	<i>Capital Projects Funds:</i>	
Materials and Supplies Traffic	1,830	<b>Capital Projects Fund:</b>	
Radio Maintenance and Repair	4,711	City Income Tax - Refunds	21,117
<b>Public Health and Welfare Services</b>		Buildings Maintenance and Repair	19,212
Prisoners Board	2,682	<i>Enterprise Fund:</i>	
<b>Leisure Time Activities</b>		<b>Sewer Fund:</b>	
Recreation Director - Other Expenses	1,185	Billing Expenses	33
Parks - Other Expenses	6,104	<i>Expendable Trust Fund:</i>	
Maintenance and Repair	7,051	<b>Police and Fire Trust Fund:</b>	
<b>Community Environment</b>		Fire - Other Expenses	1,029
Building Inspectors - Wages	4,655	<b>Deposit Fund:</b>	
<b>Basic Utility Services</b>		Deposit Fund Expenses	11,502
Yard Waste - Cans	2,521		
<b>Transportation</b>			
Trees - Removal	2,700		
<b>General Government</b>			
Council Clerk - Salary	55		
Council - Public Relations	121		
Auditor - Tax Office	1,479		
Law - Other Expenses	534		
Janitor's Wages	11		
City Income Tax - Refunds	54,363		
FICA - Employer's Share	160		
Hospitalization	3,525		
Utilities - Gas - All Departments	2,466		
Codification	13,764		
Office - Other Expenses	7,818		
Office Equipment - Maintenance Agreement	14,321		
General Miscellaneous	5,760		
General Government	9,687		
Refunds and Reimbursements	12,853		
Animal Trapping	40		
<b>Transfer Out</b>	<b>1,248,200</b>		

The excess expenditures were funded from available fund balance.



**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY (Continued)**

**C. Encumbrance System**

Ohio Revised Code requires the City to reserve (encumber) appropriations when commitments are made. The City did not properly use the encumbrance method of accounting. For December 31, 2001, the City was in violation of ORC 5705.41(D) for failure to certify the availability of funds for expenditure transactions.

**NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of a majority of individual funds are combined to form a pool of cash and cash equivalents. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents."

Ohio law requires the classification of funds held by the City into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;

**NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

Investment earnings of \$361,979 earned by other funds was credited to the General Fund as required by state statute.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

***Deposits:***

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

***Investments:***

- Category 1 Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

**NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**A. Deposits**

At year end the carrying amount of the City's deposits was \$7,755,904 and the bank balance was \$8,497,674. Federal depository insurance covered \$500,000 of the bank and deposits balance, and all remaining deposits were classified as Category 3.

**B. Investments**

The City's investments at December 31, 2001 are summarized below:

	<u>Fair Value</u>
STAR Ohio	\$10,300,000

Non-Categorized investments are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3.

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

A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$11,345,904	\$6,710,000
Certificates of Deposit (with maturities of more than 3 months)	6,710,000	(6,710,000)
Investments:		
STAR Ohio	<u>(10,300,000)</u>	<u>10,300,000</u>
Per GASB Statement No. 3	<u>\$7,755,904</u>	<u>\$10,300,000</u>

\* Includes Cash with Fiscal Agent.

**NOTE 5 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) collected during 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property must be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2001. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 25 percent of its true value and public utility real property is assessed at 35 percent of appraised market value. Public utility property taxes are payable on the same dates as real property described previously.

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

The full tax rate for all City operations for the year ended December 31, 2001, was \$7.40 per \$1,000 of assessed value. The assessed value upon which the 2001 property tax receipts were based was \$323,547,993. This amount constitutes \$187,052,970 in real property assessed value, \$74,343,870 in public utility assessed value and \$62,151,153 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .74% (7.4 mills) of assessed value.

**NOTE 5 – TAXES (Continued)**

**B. Income Tax**

The City levies a tax of 2% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on the income of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employees compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2001, consisted of taxes, interest, accounts receivable, special assessments interfund and intergovernmental receivables arising from shared revenues.

**NOTE 7 - OPERATING TRANSFERS**

Following is a summary of operating transfers for all funds for 2001:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$1,721,300
Special Revenue Funds:		
Swimming Pool Fund	190,000	0
Lake Transportation Fund	20,000	0
Litter Control Fund	42,000	0
Senior Citizens Fund	5,000	0
Total Special Revenue Funds	257,000	0
Capital Projects Funds:		
Capital Projects Fund	89,700	0
Special Projects Fund	1,374,600	0
Total Capital Projects Funds	1,464,300	0
Totals	\$1,721,300	\$1,721,300

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

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

	Due from Other Funds	Due to Other Funds
General Fund	\$930,565	\$0
Capital Projects Funds:		
Capital Project Fund	138,872	0
Special Project Fund	884,000	0
Total Capital Projects Funds	<u>1,022,872</u>	<u>0</u>
Enterprise Fund:		
Sewer Fund	0	600,000
Agency Fund:		
Income Tax Agency	<u>0</u>	<u>1,353,437</u>
Totals	<u><u>\$1,953,437</u></u>	<u><u>\$1,953,437</u></u>

**NOTE 9 - FIXED ASSETS**

**A. General Fixed Assets**

Summary by category of changes in general fixed assets:

Category	December 31, 2000	Additions	Deletions	December 31, 2001
Land	\$1,346,476	\$0	\$0	\$1,346,476
Buildings	7,289,555	0	0	7,289,555
Improvements Other than Buildings	813,115	0	0	813,115
Machinery and Equipment	<u>7,393,123</u>	<u>712,574</u>	<u>(116,113)</u>	<u>7,989,584</u>
Totals	<u><u>\$16,842,269</u></u>	<u><u>\$712,574</u></u>	<u><u>(\$116,113)</u></u>	<u><u>\$17,438,730</u></u>

**B. Proprietary Fixed Assets**

Summary by Category at December 31, 2001:

Category	Historic Cost	Accumulated Depreciation	Book Value
Utility Structures in Service	<u><u>\$11,570,120</u></u>	<u><u>(\$6,175,597)</u></u>	<u><u>\$5,394,523</u></u>

**NOTE 9 - FIXED ASSETS (Continued)**

**C. Contributed Capital**

There were no changes to contributed capital in the enterprise fund during 2001.

Balance at Beginning of Year	\$6,500,000
Additions:	
Contributions from Other Funds	<u>0</u>
Balance at End of Year	<u>\$6,500,000</u>

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

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

**A. Public Employees Retirement System (the “PERS of Ohio”)**

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, *“Accounting for Pensions by State and Local Government Employers.”*

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2001 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.25% to fund the pension and 4.3% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2001, 2000 and 1999 were \$429,124, \$341,926 and \$403,055, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3% of covered payroll which amounted to \$136,180.

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

**A. Public Employees Retirement System (the “PERS of Ohio”) (Continued)**

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio’s latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 (latest information available) is \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2001, 2000 and 1999 were \$343,089, \$327,844 and \$330,074 for police and \$280,909, \$279,467 and \$287,301 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that



**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$131,957 representing 7.5% of covered payroll for police and \$87,784 representing 7.5% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2000, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,853 for police and 10,037 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2000 were \$106,160,054, which was net of member contributions of \$5,657,431.

**NOTE 11 – COMPENSATED ABSENCES**

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

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

Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. The liability increased \$138,903 from the beginning year balance of \$1,068,107 to a year end balance of \$1,207,010.

At December 31, 2001, the total accumulated unpaid leave time recorded in the General Long-Term Obligations Account Group was:

	<u>Days</u>	<u>Amount</u>
Sick Leave	5,666	\$1,096,384
Vacation	269	55,098
Compensatory Time	285	55,528
Total	<u>6,220</u>	<u>\$1,207,010</u>

**NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Long-Term debt and other long-term obligations of the City at December 31, 2001 were as follows:

<u>Year Issued</u>	<u>Final Maturity</u>	<u>Balance December 31, 2000</u>	<u>Issued (Retired)</u>	<u>Balance December 31, 2001</u>
<b>General Obligation Long-Term Debt:</b>				
<b>General Obligation Bonds:</b>				
1983 Rockerfeller Road	2003	\$150,000	(\$50,000)	\$100,000
1983 Rush Road	2003	75,000	(25,000)	50,000
1983 Clayton Road	2003	30,000	(10,000)	20,000
Total General Obligation Bonds		255,000	(85,000)	170,000
<b>Other Long-Term Obligations:</b>				
Compensated Absences		1,068,107	138,903	1,207,010
Total Other Long-Term Obligations		1,068,107	138,903	1,207,010
Total General Long-Term Debt and Other Long-Term Obligations		<u>\$1,323,107</u>	<u>\$53,903</u>	<u>\$1,377,010</u>

General obligation bonds will be paid from the Debt Service Fund with property taxes collected. Compensated absences will be paid from the General Fund.

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

<u>Years</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2002	\$85,000	\$17,213	\$102,213
2003	85,000	8,606	93,606
Totals	<u>\$170,000</u>	<u>\$25,819</u>	<u>\$195,819</u>

**NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUND**

Included in the services provided by the City is wastewater collection which is financed primarily by user charges. The key financial information for the year ended December 31, 2001 for this enterprise activity is as follows:

	<u>Sewer</u>
Operating Revenues	\$1,255,672
Depreciation	170,529
Net Loss	(342,542)
Assets	6,029,895
Net Working Capital	30,364
Total Equity	5,424,887

**NOTE 14 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is a member of the Ohio Government Risk Management Plan (OGRMP), a public entity risk plan formed under the provisions of Section 2744.081 of the Ohio Revised Code. OGRMP is a "fixed cost, fully reinsured, non-assessable program" for over 550 member political subdivisions. The organization is controlled by a Board of Directors comprised of public officials from participating members. Coverage is 100% reinsured over the insured's deductibles. The City pays an annual premium to OGRMP for its general insurance coverage. The agreement for formation of OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure through commercial insurance and reinsurance companies.

The following is a summary of insurance coverages at year end:

<u>Coverage</u>		
Comprehensive General Liability	\$1,000,000	per occurrence
Law Enforcement Professional Liability	1,000,000	per occurrence
Public Officials Errors and Omissions	1,000,000	per occurrence
Property	13,316,592	per occurrence
Bond/Crime	25,000/50,000	per occurrence
Boiler and Machinery	13,316,592	per occurrence
Automobile Liability	2,000,000	per occurrence

The City provides two alternative forms of major medical health insurance coverage for its employees. The first is Health Maintenance Organization (HMO) operated by Blue Cross & Blue Shield Mutual of Ohio as HMO Health Ohio. The second form of major medical insurance is a self-funded health insurance program with claims processed by Administrative Service Consultants, on behalf of the City. The City uses the general fund to account for its risk financing and the claims liabilities are reflected within the general fund.

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

As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$27,500 per individual per year up to a maximum of \$1,000,000 per individual per lifetime. Settled claims have not exceeded the commercial coverage limits in any of the past six fiscal years.

A self-insurance fund maintains a balance of \$56,369 which serves as a reserve for catastrophic losses. Total contributions to the program during 2001 were \$371,582. The claims liability of \$28,104 reported in the general fund at December 31, 2001 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claims liability amount in fiscal 2000 and 2001 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2000	\$42,029	\$290,474	(\$313,718)	\$18,785
2001	18,785	380,901	(371,582)	28,104

Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs. Unemployment claims are paid to the Ohio Department of Job and Family Services as incurred.

**NOTE 15 - CONTINGENCIES**

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.



**Auditor of State  
Betty Montgomery**

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

City of Wickliffe  
Lake County  
28730 Ridge Road  
Wickliffe, Ohio 44092

To the Members of City Council:

We have audited the financial statements of the City of Wickliffe, Lake County, Ohio, (the City) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated May 16, 2003, wherein we noted the City adopted Government Accounting Standards Board Statements No. 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we 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 finding as item 2002-001 and 2002-002. In addition, we noted a certain immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated May 16, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated May 16, 2003.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
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City of Wickliffe  
Lake County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

May 16, 2003

**CITY OF WICKLIFFE  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

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

<b>Finding Number</b>	<b>2002-001</b>
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**Excess Expenditures over Appropriations**

Ohio Revised Code Section 5705.41(D) prohibits a subdivision from making an expenditure unless it has been appropriated.

The City had over expended appropriations at the legal level of control for 2002 and for 2001. The Director of Finance should deny payment request exceeding appropriations and should request Council to amend appropriation before approving these payments.

**2002**

Fund	Department	Appropriation	Expended	Excess
General	Security-Traffic Control-Adm-Prisoners	\$ 166,445	\$ 200,989	\$ (34,544)
General	General Government	3,496,870	3,946,046	(449,176)
Special Revenue: Weed Control	N/A	3,400	5,270	(1,870)
Senior Center	N/A	79,180	85,262	(6,082)
Debt Service	N/A	102,200	102,213	(13)
Expendable Trust: Police Trust	N/A	3,900	8,076	(4,176)
Deposit Trust	N/A	76,400	107,790	(31,390)

**2001**

Fund	Department	Object	Appropriation	Expended	Excess
General	Security and Persons and Property	Overtime-Police	\$ 60,000	\$ 74,532	\$ (14,532)
General	Security and Persons and Property	Other Expenses	20,900	22,449	(1,549)
General	Security and Persons and Property	Auto-Maintenance & Repair	25,700	33,856	(8,156)
General	Security and Persons and Property	Ammunition & Range Expenses	9,200	9,392	(192)
General	Security and Persons and Property	Building Maintenance & Repair	18,300	36,686	(18,386)
General	Security and Persons and Property	Overtime-Firemen	83,500	107,487	(23,987)
General	Security and Persons and Property	Paramedic Wages	23,900	26,971	(3,071)
General	Security and Persons and Property	Other Expenses	13,500	14,012	(512)
General	Security and Persons and Property	Fire Station Bldg. – Utilities	40,700	44,128	(3,428)
General	Security and Persons and Property	Haz Mat Expenses	5,000	5,080	(80)
General	Security and Persons and Property	Dispatcher Overtime	35,700	38,190	(2,490)
General	Security and Persons and Property	Radio-Maintenance & Repairs Police	10,300	15,011	(4,711)
General	Security and Persons and Property	Labor Wages Traffic Dept.	83,900	96,251	(12,351)

**CITY OF WICKLIFFE  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**2001 – (Continued)**

<b>Fund</b>	<b>Department</b>	<b>Object</b>	<b>Appropriation</b>	<b>Expended</b>	<b>Excess</b>
General	Security and Persons and Property	School Guards - Wages	\$ 40,100	\$ 46,623	\$ (6,523)
General	Security and Persons and Property	Materials & Supplies Traffic	8,100	9,930	(1,830)
General	Public Health and Welfare Services	Prisoners Board	8,500	11,182	(2,682)
General	Leisure Time Activities	Other Expenses	6,200	7,385	(1,185)
General	Leisure Time Activities	Parks-Other Expenses	8,100	14,204	(6,104)
General	Leisure Time Activities	Maintenance & Repair	26,300	33,351	(7,051)
General	Community Development - Bldg. Dept.	Building Inspectors – Wages	46,800	51,455	(4,655)
General	Basic Utilities Services	Yard Waste - Cans	3,500	6,021	(2,521)
General	Transportation	Trees-Removal	7,100	9,800	(2,700)
General	General Government	Council-Clerk Salary	6,095	6,150	(55)
General	General Government	Council-Public Relations	800	921	(121)
General	General Government	Auditor-Tax Office	33,530	35,009	(1,479)
General	General Government	Law Dept.-Other Expenses	5,100	5,634	(534)
General	General Government	Janitor's Wages	25,325	25,336	(11)
General	General Government	City Income Tax-Refunds	59,400	113,763	(54,363)
General	General Government	FICA-Employer's Share	8,100	8,260	(160)
General	General Government	Hospitalization	891,600	895,125	(3,525)
General	General Government	Utilities-All Departments-Gas	38,500	40,957	(2,457)
General	General Government	Codification	4,400	18,164	(13,764)
General	General Government	Office-Other Expenses	36,200	44,018	(7,818)
General	General Government	Office Equipment-Maintenance	17,900	32,221	(14,321)
General	General Government	General Miscellaneous	44,700	50,460	(5,760)
General	General Government	General Government	65,200	74,887	(9,687)
General	General Government	Refunds & Reimbursements	79,300	92,153	(12,853)
General	General Government	Animal Trapping	10,100	10,140	(40)
General	General Government	Transfers Out	473,100	1,721,300	(1,248,200)
Special Revenue: Laketran	Maintenance & Repairs	N/A	1,500	3,350	(1,850)
Weed Control	Weed Clearing	N/A	2,300	7,898	(5,598)
Weed Control	Deduction by Auditor	N/A	100	255	(155)
Senior Center	Senior Center-Expenses	N/A	14,300	14,442	(142)
Senior Center	Senior Center Supplies & Maintenance	N/A	3,000	4,955	(1,955)
Swimming Pool	Maintenance & Repairs Pools	N/A	10,300	19,764	(9,464)
Debt Service	Interest Expense	N/A	25,800	25,819	(19)
Capital Projects	City Income Tax Refunds	N/A	32,000	53,117	(21,117)
Capital Projects	Building Maintenance and Repair	N/A	97,000	116,212	(19,212)
Enterprise: Sewer	Billing Expenses	N/A	33,000	33,033	(33)
Expendable Trust: Police & Fire Trust	Fire - Other Expenses	N/A	500	1,529	(1,029)
Deposit Fund	Deposit Fund Expense	N/A	71,300	82,802	(11,502)



**CITY OF WICKLIFFE  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2002-002</b>
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**Certification of Funds**

Ohio Revised Code (ORC) Section 5705.41(D), states, in part, that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides two exceptions to the above requirements:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Finance Director 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 (a then and now certificate), if such expenditure is otherwise valid.
- If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid with out the affirmation of the City's Council.

The City did not certify thirty-three out of thirty-six expenditures tested in 2002 and twenty-two out of twenty-four expenditures tested in 2001.

This weakness could allow expenditures to exceed the total of the available fund balance and the current year revenues. This could result in a negative fund balance(s).

We recommend the City begin to use purchase orders for all expenditures to assist in monitoring expenditure activities and to properly certify the availability of funds for any orders or contracts involving the expenditure of money to ensure compliance with this requirement. Where proper certification is not feasible, we encourage the City to utilize a then and now certificate, a blanket certificate or super blanket certificate.

**CITY OF WICKLIFFE  
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-001	Excess Expenditures over Appropriations ORC 5705.41(B)	No	Not Corrected – see finding number 2002-001



**Auditor of State  
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**CITY OF WICKLIFFE**

**LAKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 8, 2003**