

**CITY OF WICKLIFFE**

**AUDIT REPORT**

**For the Year Ended December 31, 2003**

*Charles E. Harris & Associates, Inc.*  
**Certified Public Accountants**





**Auditor of State  
Betty Montgomery**

Members of City Council  
City of Wickliffe  
28730 Ridge Road  
Wickliffe, Ohio 44092

We have reviewed the Independent Auditor's Report of the City of Wickliffe, Lake County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

August 17, 2005

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**CITY OF WICKLIFFE**  
**AUDIT REPORT**  
For the Year Ended December 31, 2003

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Report of Independent Accountants	1 - 2
Management's Discussion and Analysis	3 - 10
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	18
Statement of Net Assets – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Notes to the Basic Financial Statements	22 - 48
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on An Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	49 - 50
Schedule of Findings	51
Schedule of Prior Audit Findings	52

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

**The Honorable Mayor and City Council  
City of Wickliffe  
Wickliffe, Ohio**

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, each major fund and the remaining fund information of the City of Wickliffe (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the remaining fund information of the City as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the basic financial statements, during 2003, the City adopted Governmental Accounting and Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 17, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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.

*Charles E. Harris & Associates, Inc.*  
June 17, 2005



## **CITY OF WICKLIFFE, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2003***

***Unaudited***

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The discussion and analysis of the City of Wickliffe's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2003 are as follows:

- ❑ In total, net assets decreased \$2.8 million. Net assets of governmental activities decreased \$2.2 million which represents a 2.2% decrease from 2002. Net assets of business-type activities decreased \$554,172 or 10.7% from 2002.
- ❑ General revenues accounted for \$13.7 million in revenue or 81.8% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 18.2% of total revenues of \$16.6 million.
- ❑ The City had \$17.7 million in expenses related to governmental activities; only \$1.8 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13.7 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$10.4 million in revenues and \$11.5 million in expenditures. The general fund's fund balance declined \$1.4 million to \$9.9 million.
- ❑ Net assets for enterprise funds decreased by \$554,172. This decrease resulted primarily from a decrease in revenue from user charges for the year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – *management's discussion and analysis*, the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

# CITY OF WICKLIFFE, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2003*

*Unaudited*

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## **Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the City you need to consider additional nonfinancial factors such as property tax base, current property tax laws, conditions of the City's streets and continued growth within the City.

The government-wide financial statements of the City are divided into two categories:

Governmental Activities – Most of the City's program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's sewer services are reported as business-type activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## **CITY OF WICKLIFFE, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2003***

***Unaudited***

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Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior year's information is not available. A comparative analysis will be provided in future years when prior year's information is available.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
	2003	2003	2003
Current and other assets	\$21,670,130	(\$416,550)	\$21,253,580
Capital assets, Net	80,566,350	5,035,465	85,601,815
Total assets	102,236,480	4,618,915	106,855,395
Long-term debt outstanding	1,318,264	0	1,318,264
Other liabilities	3,372,859	0	3,372,859
Total liabilities	4,691,123	0	4,691,123
Net assets			
Invested in capital assets, net of related debt	80,566,350	5,035,465	85,601,815
Restricted	7,082,694	0	7,082,694
Unrestricted	9,896,313	(434,550)	9,461,763
Total net assets	<u>\$97,545,357</u>	<u>\$4,618,915</u>	<u>\$102,164,272</u>

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## **CITY OF WICKLIFFE, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2003**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2003:

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Revenues			
Program revenues:			
Charges for Services and Sales	\$827,240	\$1,267,377	\$2,094,617
Operating Grants and Contributions	275,381	0	275,381
Capital Grants and Contributions	665,365	0	665,365
General revenues:			
Income Taxes	8,033,410	0	8,033,410
Property Taxes	2,229,466	0	2,229,466
Other Local Taxes	284,053	0	284,053
Grants and Entitlements	2,896,242	0	2,896,242
Investment Earnings	211,235	0	211,235
Miscellaneous	55,077	0	55,077
Total revenues	15,477,469	1,267,377	16,744,846
Program Expenses			
Security of Persons and Property	5,546,007	0	5,546,007
Public Health and Welfare Services	25,267	0	25,267
Leisure Time Activities	745,676	0	745,676
Community Environment	198,985	0	198,985
Basic Utility Services	839,156	0	839,156
Transportation	3,016,495	0	3,016,495
General Government	7,334,285	0	7,334,285
Interest and Fiscal Charges	8,606	0	8,606
Sewer	0	1,821,549	1,821,549
Total expenses	17,714,477	1,821,549	19,536,026
Total Change in Net Assets	(2,237,008)	(554,172)	(2,791,180)
Beginning Net Assets	99,782,365	5,173,087	104,955,452
Ending Net Assets	\$97,545,357	\$4,618,915	\$102,164,272

### **Governmental Activities**

Net assets of the City's governmental activities decreased by \$2,237,008. The City experienced a decrease in various revenue sources especially in income tax and earnings from investments. In addition, the new reporting requirements of depreciation expense and revenues not providing current financial resources were major factors in the overall decrease of net assets.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

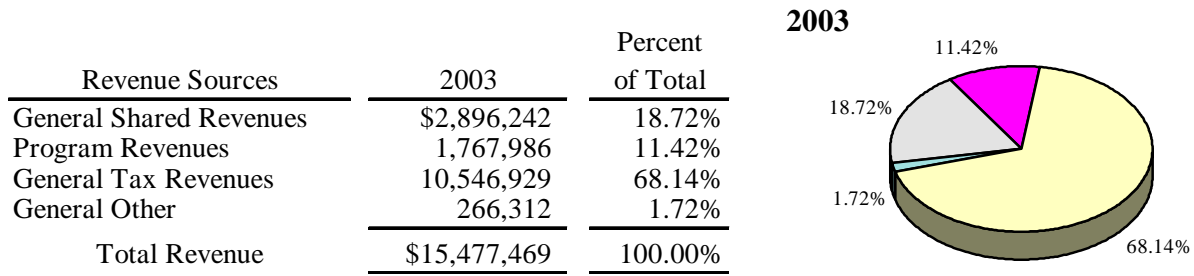
## CITY OF WICKLIFFE, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2003**

**Unaudited**

The City also receives an income tax, which is based on 2% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City.

Property taxes and income taxes made up 14.4% and 51.9% respectively of revenues for governmental activities for the City in fiscal year 2003. The City's reliance upon tax revenues is demonstrated by the following graph indicating 68.14% of total revenues from general tax revenues:



### **Business-Type Activities**

Net assets of the business-type activities decreased by \$554,172. This decrease was the result of a decrease in revenues from user charges during the year. User rates in the enterprise funds are evaluated annually by management with rate changes made to the legislative body. Changes to user rates are made periodically when necessary to keep pace with increased operational and capital costs.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$16,655,313, which is a decrease from last year's balance of \$18,605,894. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2003 and 2002:

	Fund Balance December 31, 2003	Fund Balance December 31, 2002	Increase (Decrease)
General	\$9,938,896	\$11,341,455	(\$1,402,559)
Capital Projects	1,991,433	2,093,171	(101,738)
Special Projects	3,953,930	4,139,315	(185,385)
Other Governmental	771,054	1,031,953	(260,899)
Total	\$16,655,313	\$18,605,894	(\$1,950,581)

## ***CITY OF WICKLIFFE, OHIO***

***Management's Discussion and Analysis  
For the Year Ended December 31, 2003***

***Unaudited***

General Fund – The City's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2003 Revenues	2002 Revenues	Increase (Decrease)
Taxes	\$7,423,939	\$7,435,295	(\$11,356)
Intergovernmental Revenue	2,042,425	2,316,845	(274,420)
Charges for Services	5,275	89,593	(84,318)
Licenses and Permits	396,372	24,915	371,457
Fines and Forfeitures	146,213	187,399	(41,186)
Investment Earnings	248,023	419,953	(171,930)
All Other Revenue	105,069	459,494	(354,425)
Total	\$10,367,316	\$10,933,494	(\$566,178)

General Fund revenues in 2003 decreased approximately 5.2% compared to revenues in fiscal year 2002. The most significant factor contributing to this decrease was in intergovernmental revenues and investment earnings. Investment earnings decreased due to the significant decline in rates earned by approved investments.

	2003 Expenditures	2002 Expenditures	Increase (Decrease)
Security of Persons and Property	\$4,934,596	\$4,785,431	\$149,165
Public Health and Welfare Services	13,146	11,912	1,234
Leisure Time Activities	182,299	199,550	(17,251)
Community Environment	153,178	185,547	(32,369)
Basic Utility Services	537,506	488,155	49,351
Transportation	1,513,197	1,505,806	7,391
General Government	4,136,838	3,362,668	774,170
Total	\$11,470,760	\$10,539,069	\$931,691

General Fund expenditures increased by \$931,691 or 8.8% compared to the prior year mostly due to increases in salary and wages, retirement contributions, and health insurance premiums for the City's employees.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2003 the City did not amend its General Fund Budget.

For the General Fund, final budget basis revenue of \$10.5 million did not change over the original budget estimates of \$10.5 million. The General Fund had an adequate fund balance to cover expenditures.

## CITY OF WICKLIFFE, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2003*

*Unaudited*

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

At the end of fiscal 2003 the City had \$85,619,815 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$80,566,350 was related to governmental activities and \$5,053,465 to the business-type activities. The following table shows fiscal year 2003 and 2002 balances:

	Governmental Activities		Increase (Decrease)
	2003	2002	
	Land	\$16,992,788	\$16,992,788
Construction in Progress	0	5,946,533	(5,946,533)
Buildings	7,289,555	7,289,555	0
Improvements Other Than Buildings	828,369	821,193	7,176
Machinery and Equipment	8,407,672	8,305,847	101,825
Infrastructure	72,868,169	63,961,287	8,906,882
Less: Accumulated Depreciation	(25,820,203)	(22,145,274)	(3,674,929)
Totals	\$80,566,350	\$81,171,929	(\$605,579)

	Business-Type Activities		Increase (Decrease)
	2003	2002	
	Utility Structures in Service	\$11,570,120	\$11,570,120
Less: Accumulated Depreciation	(6,516,655)	(6,346,126)	(170,529)
Totals	\$5,053,465	\$5,223,994	(\$170,529)

The primary increases occurred in machinery and equipment and infrastructure. Additional information on the City's capital assets can be found in Note 10.

#### *Debt*

The following table summarizes the City's debt outstanding as of December 31, 2003 and 2002:

	2003	2002
Governmental Activities:		
General Obligation Bonds	\$0	\$85,000
Compensated Absences	1,318,264	1,293,750
Total Governmental Activities	\$1,318,264	\$1,378,750

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Wickliffe lies, is limited to ten mills. At December 31, 2003, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

## **CITY OF WICKLIFFE, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2003***

***Unaudited***

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### **ECONOMIC FACTORS**

The City's original budget for 2003 utilized conservative revenue estimates with limited increases in base operating costs. However, due to projected declines in certain revenues, expenditures were *projected* to exceed revenues in many of the funds, including the General Fund. City Council decided they wanted to maintain current service levels to the residents of the City by utilizing reserve fund balances. There was a projected decrease in interest income because of the low interest rates on investments, reductions in state shared revenues and uncertainty in the amount of actual municipal income taxes to be collected due to uncertain economic conditions.

No additional personnel were added in the final approved budget. Department requests were reduced from original submissions; certain requested capital projects and capital acquisitions were eliminated or reduced; and only those items that management and City Council determined necessary were appropriated.

City Council continues to consider new revenue sources, while reviewing the possibility of increasing existing sources, in addition to a continued review of reducing expenditures. A close watch of current economic conditions is ongoing to determine if increased revenues, or further reductions in expenditures, are necessary in order to maintain fiscal stability.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 440-943-7117 or writing to City of Wickliffe Finance Department, 28730 Ridge Road, Wickliffe, Ohio 44092.



**CITY OF WICKLIFFE, OHIO**

**Statement of Net Assets**  
**December 31, 2003**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 8,145,579	\$ 37,449	\$ 8,183,028
Investments	7,020,000	0	7,020,000
Receivables:			
Taxes	3,712,027	0	3,712,027
Accounts	10,199	378,001	388,200
Intergovernmental	1,682,914	0	1,682,914
Interest	43,138	0	43,138
Special Assessments	162,937	0	162,937
Internal Balances	850,000	(850,000)	0
Inventory of Supplies at Cost	30,701	0	30,701
Prepaid Items	11,669	0	11,669
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	966	0	966
Capital Assets, Net	80,566,350	5,053,465	85,619,815
<b>Total Assets</b>	<b>102,236,480</b>	<b>4,618,915</b>	<b>106,855,395</b>
<b>Liabilities:</b>			
Accounts Payable	148,639	0	148,639
Accrued Wages and Benefits	547,012	0	547,012
Intergovernmental Payable	19,737	0	19,737
Claims Payable	41,385	0	41,385
Matured Bonds & Interest Payable	966	0	966
Deferred Revenue	2,615,120	0	2,615,120
Long-Term Liabilities:			
Due Within One Year	106,280	0	106,280
Due in More Than One Year	1,211,984	0	1,211,984
<b>Total Liabilities</b>	<b>4,691,123</b>	<b>0</b>	<b>4,691,123</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	80,566,350	5,053,465	85,619,815
Restricted For:			
Capital Projects	5,997,864	0	5,997,864
Debt Service	86,829	0	86,829
Other Purposes	998,001	0	998,001
Unrestricted (Deficit)	9,896,313	(434,550)	9,461,763
<b>Total Net Assets</b>	<b>\$ 97,545,357</b>	<b>\$ 4,618,915</b>	<b>\$ 102,164,272</b>

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

**Statement of Activities**  
**For the Year Ended December 31, 2003**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
Security of Persons and Property	\$ 5,546,007	\$ 172,738	\$ 0	\$ 0
Public Health and Welfare Services	25,267	0	737	0
Leisure Time Activities	745,676	175,489	0	0
Community Environment	198,985	227,302	0	0
Basic Utility Services	839,156	0	274,644	0
Transportation	3,016,495	0	0	665,365
General Government	7,334,285	251,711	0	0
Interest and Fiscal Charges	8,606	0	0	0
<b>Total Governmental Activities</b>	17,714,477	827,240	275,381	665,365
<b>Business-Type Activities:</b>				
Sewer	1,821,549	1,267,377	0	0
<b>Total Business-Type Activities</b>	1,821,549	1,267,377	0	0
<b>Totals</b>	\$ 19,536,026	\$ 2,094,617	\$ 275,381	\$ 665,365

**General Revenues**

Property Taxes  
Municipal Income Taxes  
Other Local Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous  
  
Total General Revenues  
  
Change in Net Assets  
  
Restated Net Assets Beginning of Year  
  
Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
\$ (5,373,269)	\$ 0	\$ (5,373,269)
(24,530)	0	(24,530)
(570,187)	0	(570,187)
28,317	0	28,317
(564,512)	0	(564,512)
(2,351,130)	0	(2,351,130)
(7,082,574)	0	(7,082,574)
(8,606)	0	(8,606)
(15,946,491)	0	(15,946,491)
0	(554,172)	(554,172)
0	(554,172)	(554,172)
(15,946,491)	(554,172)	(16,500,663)
2,229,466	0	2,229,466
8,033,410	0	8,033,410
284,053	0	284,053
2,896,242	0	2,896,242
211,235	0	211,235
55,077	0	55,077
13,709,483	0	13,709,483
(2,237,008)	(554,172)	(2,791,180)
99,782,365	5,173,087	104,955,452
\$ 97,545,357	\$ 4,618,915	\$ 102,164,272

## CITY OF WICKLIFFE, OHIO

### *Balance Sheet Governmental Funds December 31, 2003*

	General	Capital Projects	Special Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 4,789,334	\$ 1,115,337	\$ 1,542,147	\$ 698,761	\$ 8,145,579
Investments	4,487,740	952,427	1,579,833	0	7,020,000
Receivables:					
Taxes	3,445,804	41,683	0	224,540	3,712,027
Accounts	10,199	0	0	0	10,199
Intergovernmental	1,454,442	0	0	228,472	1,682,914
Interest	27,577	5,853	9,708	0	43,138
Special Assessments	0	0	0	162,937	162,937
Interfund Loans Receivables	0	0	850,000	0	850,000
Inventory of Supplies, at Cost	30,701	0	0	0	30,701
Prepaid Items	11,669	0	0	0	11,669
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	0	0	0	966	966
<b>Total Assets</b>	<b>\$ 14,257,466</b>	<b>\$ 2,115,300</b>	<b>\$ 3,981,688</b>	<b>\$ 1,315,676</b>	<b>\$ 21,670,130</b>
<b>Liabilities:</b>					
Accounts Payable	\$ 46,758	\$ 78,115	\$ 21,009	\$ 2,757	\$ 148,639
Accrued Wages and Benefits Payable	545,032	0	0	1,980	547,012
Intergovernmental Payable	19,737	0	0	0	19,737
Claims Payable	41,385	0	0	0	41,385
Matured Bonds and Interest Payable	0	0	0	966	966
Deferred Revenue	3,665,658	45,752	6,749	538,919	4,257,078
<b>Total Liabilities</b>	<b>4,318,570</b>	<b>123,867</b>	<b>27,758</b>	<b>544,622</b>	<b>5,014,817</b>
<b>Fund Balances:</b>					
Reserved for Prepaid Items	11,669	0	0	0	11,669
Reserved for Supplies Inventory	30,701	0	0	0	30,701
Reserved for Debt Service	0	0	0	86,829	86,829
Undesignated/Unreserved in:					
General Fund	9,896,526	0	0	0	9,896,526
Special Revenue Funds	0	0	0	684,225	684,225
Capital Projects Funds	0	1,991,433	3,953,930	0	5,945,363
<b>Total Fund Balances</b>	<b>9,938,896</b>	<b>1,991,433</b>	<b>3,953,930</b>	<b>771,054</b>	<b>16,655,313</b>
<b>Total Liabilities and Funds Balances</b>	<b>\$ 14,257,466</b>	<b>\$ 2,115,300</b>	<b>\$ 3,981,688</b>	<b>\$ 1,315,676</b>	<b>\$ 21,670,130</b>

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2003***

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<b>Total Governmental Fund Balances</b>	\$ 16,655,313
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	80,566,350
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	1,641,958
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,318,264)</u>
<b><i>Net Assets of Governmental Funds</i></b>	<b><u><u>\$ 97,545,357</u></u></b>

See accompanying notes to the basic financial statements

## CITY OF WICKLIFFE, OHIO

### Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2003

	General	Capital Projects	Special Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$ 1,458,452	\$ 659,465	\$ 0	\$ 211,912	\$ 2,329,829
Municipal Income Tax	5,681,434	2,187,060	0	0	7,868,494
Other Local Taxes	284,053	0	0	0	284,053
State Levied Shared Taxes	1,887,152	0	0	433,682	2,320,834
Intergovernmental Revenues	155,273	0	156,234	123,920	435,427
Charges for Services	5,275	0	0	82,758	88,033
Licenses and Permits	396,372	0	0	0	396,372
Investment Earnings	248,023	1,784	2,959	0	252,766
Special Assessments	0	1,299	0	164,596	165,895
Fines and Forfeitures	146,213	0	0	0	146,213
All Other Revenue	105,069	34,000	0	93,884	232,953
<b>Total Revenue</b>	<b>10,367,316</b>	<b>2,883,608</b>	<b>159,193</b>	<b>1,110,752</b>	<b>14,520,869</b>
<b>Expenditures:</b>					
Current:					
Security of Persons and Property	4,934,596	0	0	202,184	5,136,780
Public Health and Welfare Services	13,146	0	0	12,121	25,267
Leisure Time Activities	182,299	0	0	393,500	575,799
Community Environment	153,178	0	0	45,891	199,069
Basic Utility Services	537,506	0	0	301,650	839,156
Transportation	1,513,197	0	0	486,919	2,000,116
General Government	4,136,838	0	0	66,100	4,202,938
Capital Outlay	0	3,046,796	395,802	0	3,442,598
Debt Service:					
Principal Retirement	0	0	0	85,000	85,000
Interest & Fiscal Charges	0	0	0	8,606	8,606
<b>Total Expenditures</b>	<b>11,470,760</b>	<b>3,046,796</b>	<b>395,802</b>	<b>1,601,971</b>	<b>16,515,329</b>
Excess (Deficiency) of Revenues					
Over Expenditures	(1,103,444)	(163,188)	(236,609)	(491,219)	(1,994,460)
<b>Other Financing Sources (Uses):</b>					
Proceeds from the Sale of Fixed Assets	0	33,868	0	0	33,868
Transfers In	0	27,582	51,224	230,320	309,126
Transfers Out	(309,126)	0	0	0	(309,126)
<b>Total Other Financing Sources (Uses)</b>	<b>(309,126)</b>	<b>61,450</b>	<b>51,224</b>	<b>230,320</b>	<b>33,868</b>
Net Change in Fund Balances	(1,412,570)	(101,738)	(185,385)	(260,899)	(1,960,592)
<b>Fund Balances at Beginning of Year</b>	<b>11,341,455</b>	<b>2,093,171</b>	<b>4,139,315</b>	<b>1,031,953</b>	<b>18,605,894</b>
Increase (Decrease) in Inventory Reserve	10,011	0	0	0	10,011
<b>Fund Balances End of Year</b>	<b>\$ 9,938,896</b>	<b>\$ 1,991,433</b>	<b>\$ 3,953,930</b>	<b>\$ 771,054</b>	<b>\$ 16,655,313</b>

See accompanying notes to the basic financial statements

## **CITY OF WICKLIFFE, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Fiscal Year Ended December 31, 2003***

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**Net Change in Fund Balances - Total Governmental Funds** \$ (1,960,592)

***Amounts reported for governmental activities in the statement of activities are different because***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (572,331)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets net of proceeds received. (33,248)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 258,666

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 85,000

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (14,503)

***Change in Net Assets of Governmental Activities*** \$ (2,237,008)

See accompanying notes to the basic financial statements

## CITY OF WICKLIFFE, OHIO

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2003**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 1,326,100	\$ 1,326,100	\$ 1,447,892	\$ 121,792
Municipal Income Tax	5,602,000	5,602,000	5,513,430	(88,570)
Other Local Taxes	307,900	307,900	297,757	(10,143)
State Levied Shared Taxes	2,043,400	2,043,400	1,995,483	(47,917)
Intergovernmental Revenue	144,800	144,800	155,273	10,473
Charges for Services	5,300	5,300	5,275	(25)
Licenses and Permits	410,890	410,890	395,222	(15,668)
Investment Earnings	377,500	377,500	264,816	(112,684)
Fines and Forfeitures	180,600	180,600	150,085	(30,515)
All Other Revenues	109,400	109,400	122,070	12,670
Total Revenues	<u>10,507,890</u>	<u>10,507,890</u>	<u>10,347,303</u>	<u>(160,587)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	5,031,635	5,031,635	4,913,355	118,280
Public Health and Welfare Services	11,100	11,100	13,146	(2,046)
Leisure Time Activities	196,720	196,720	184,675	12,045
Community Environment	157,635	157,635	157,680	(45)
Basic Utility Services	538,000	538,000	537,506	494
Transportation	1,582,850	1,582,850	1,586,233	(3,383)
General Government	3,869,295	3,869,295	3,994,932	(125,637)
Total Expenditures	<u>11,387,235</u>	<u>11,387,235</u>	<u>11,387,527</u>	<u>(292)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(879,345)	(879,345)	(1,040,224)	(160,879)
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(304,900)	(304,900)	(309,126)	(4,226)
Total Other Financing Sources (Uses):	<u>(304,900)</u>	<u>(304,900)</u>	<u>(309,126)</u>	<u>(4,226)</u>
Net Change In Fund Balance	(1,184,245)	(1,184,245)	(1,349,350)	(165,105)
Fund Balance at Beginning of Year	10,217,777	10,217,777	10,217,777	0
Fund Balance at End of Year	<u>\$ 9,033,532</u>	<u>\$ 9,033,532</u>	<u>\$ 8,868,427</u>	<u>\$ (165,105)</u>

See accompanying notes to the basic financial statements



**CITY OF WICKLIFFE, OHIO**

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***Statement of Net Assets  
Proprietary Funds  
December 31, 2003***

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	<u>Business-Type Activities Enterprise Funds</u>
	<u>Sewer</u>
<b>Assets:</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 37,449
Receivables:	
Accounts	<u>378,001</u>
<i>Total Current Assets</i>	415,450
<i>Non Current Assets:</i>	
Capital Assets, Net	<u>5,053,465</u>
<b>Total Assets</b>	<u>5,468,915</u>
<b>Liabilities:</b>	
<i>Current Liabilities:</i>	
Interfund Loans Payable	<u>850,000</u>
<b>Total Liabilities</b>	<u>850,000</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	5,053,465
Unrestricted	<u>(434,550)</u>
<b>Total Net Assets</b>	<u>\$ 4,618,915</u>

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2003**

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	Business-Type Activities Enterprise Funds
	<u>Sewer</u>
<b>Operating Revenues:</b>	
Charges for Services	\$ 1,267,377
<b>Total Operating Revenues</b>	<u>1,267,377</u>
<b>Operating Expenses:</b>	
Contractual Services	1,651,020
Depreciation	<u>170,529</u>
<b>Total Operating Expenses</b>	<u>1,821,549</u>
Change in Net Assets	(554,172)
Net Assets Beginning of Year	<u>5,173,087</u>
Net Assets End of Year	<u>\$ 4,618,915</u>

See accompanying notes to the basic financial statements

**CITY OF WICKLIFFE, OHIO**

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**Statement of Cash Flows**

**Proprietary Funds**

**For the Year Ended December 31, 2003**

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	Business-Type Activities Enterprise Funds
	<u>Sewer</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,288,386
Cash Payments for Goods and Services	<u>(1,651,020)</u>
Net Cash Used by Operating Activities	<u>(362,634)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Advances In from Other Funds	850,000
Advances Out to Other Funds	<u>(790,000)</u>
Net Cash Provided by Noncapital Financing Activities	<u>60,000</u>
Net Decrease in Cash and Cash Equivalents	(302,634)
Cash and Cash Equivalents at Beginning of Year	<u>340,083</u>
Cash and Cash Equivalents at End of Year	<u><u>\$37,449</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Loss	(\$554,172)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities:	
Depreciation Expense	170,529
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	25,930
Decrease in Deferred Revenue	<u>(4,921)</u>
Total Adjustments	<u>191,538</u>
Net Cash Used by Operating Activities	<u><u>(\$362,634)</u></u>

See accompanying notes to the basic financial statements

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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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 basic financial statements of the City present the financial position of the various fund types, 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, 2003 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 basic 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, 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.

## *CITY OF WICKLIFFE, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2003*

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#### **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, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

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 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 or expenses. The various funds are summarized by type in the basic financial statements. The following fund types 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 funds) are accounted for through governmental funds. The measurement focus is on determination of "financial flow" (sources and use and balances of financial resources). The following are the City's major governmental funds:

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.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Special Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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

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

###### ***Proprietary Funds***

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent 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 City's major enterprise fund is:

Sewer Fund - This fund is used to account for the operation of the City's sanitary sewer service.

##### **C. Basis of Presentation - Financial Statements**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

## **CITY OF WICKLIFFE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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

##### **C. Basis of Presentation – Financial Statements (Continued)**

**Fund Financial Statements** – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

##### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. 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. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which the City considers to be 60 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.

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

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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

##### **D. Basis of Accounting** (Continued)

resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenues considered susceptible to accrual at year end include income taxes, interest on investments, and state levied locally shared taxes, including motor vehicle license fees and local government assistance. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded when received in cash, because generally these revenues are not measurable until received.

Special assessment installments and related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenues. Property taxes measurable as of December 31, 2003 but which are not intended to finance 2003 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenues.

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

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.

##### **E. 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.



## *CITY OF WICKLIFFE, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2003*

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

##### **E. Budgetary Process** (Continued)

##### 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 2003.

##### 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—General Fund is provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

##### 4. 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.

**CITY OF WICKLIFFE, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003***

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

**E. Budgetary Process (Continued)**

**5. 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.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

	<u>Net Change In Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$1,412,570)
Increase (Decrease):	
Accrued Revenues at December 31, 2003 received during 2004	(1,681,011)
Accrued Revenues at December 31, 2002 received during 2003	1,660,998
Accrued Expenditures at December 31, 2003 paid during 2004	652,912
Accrued Expenditures at December 31, 2002 paid during 2003	(576,432)
2002 Prepays for 2003	18,422
2003 Prepays for 2004	(11,669)
Budget Basis	<u>(\$1,349,350)</u>

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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

##### **F. 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 5, "Pooled Cash, Cash Equivalents and Investments."

##### **G. 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 basic 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 5 "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 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2003.

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

##### **H. 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 funds when purchased and expenses in the proprietary fund when used.

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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

##### **I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

##### **J. Capital Assets and Depreciation**

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

###### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

###### **2. Property, Plant and Equipment – Business Type Activities**

Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

**CITY OF WICKLIFFE, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003***

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

**J. Capital Assets and Depreciation** (Continued)

3. Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	15 - 40
Improvements other than Buildings	65
Infrastructure	10-50
Machinery, Equipment, Furniture and Fixtures	5 - 10

**K. Long-Term Obligations**

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

Obligation	Fund
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.

**L. 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 "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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

##### **M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for Other Purposes include programs for street and highway improvements, federal grants for security of persons and property and mandatory fines for various court programs.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

##### **N. Pensions**

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

##### **O. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

##### **P. 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 encumbrances, inventories of supplies and materials, prepaid items and debt service.

##### **Q. Estimates**

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

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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

##### **R. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for wastewater collection and treatment. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### **S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2003.

#### **NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE**

##### **A. Changes in Accounting Principles**

For fiscal year 2003, the City has implemented GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”; GASB Statement No. 37, “*Basic Financial Statements for State and Local Governments: Omnibus*”; GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”; and GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement.*” At December 31, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37 and 38, or Interpretation No. 6.

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City’s programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

**CITY OF WICKLIFFE, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003**

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**NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE (continued)**

**B. Restatement of Fund Balance**

The changes to the beginning fund balance, as well as the transition from fund balance to net assets of the governmental activities and the business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Fund Balance December 31, 2002	\$18,499,337	(\$1,326,913)
Adjustments:		
Reclassified fund from Expendable Trust Fund to Special Revenue Funds	<u>106,557</u>	<u>0</u>
Total Prior Period Adjustments	<u>106,557</u>	<u>0</u>
GASB 34 Adjustments:		
Capital Assets	81,171,929	0
Contributed Capital	0	6,500,000
Long-Term Liabilities	(1,378,750)	0
Long-Term (Deferred) Assets	<u>1,383,292</u>	<u>0</u>
Net Assets, December 31, 2002	<u><u>\$99,782,365</u></u>	<u><u>\$5,173,087</u></u>

**NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental funds as reported in the government-wide statement of net assets. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

*Other long-term assets not available to pay for current-period expenditures:*

Delinquent Income Tax Revenue	\$164,916
Delinquent Property Tax Revenue	149,963
Shared Revenues	1,134,152
Interest Revenues	29,990
Special Assessment Revenue	<u>162,937</u>
	<u>\$1,641,958</u>

*Long-Term liabilities not reported in the funds:*

Compensated Absences Payable	(\$1,318,264)
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**CITY OF WICKLIFFE, OHIO**

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*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003*

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**NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

*Amount by which depreciation exceeded capital outlay in the current period:*

Capital Outlay	\$3,310,577
Depreciation Expense	<u>(3,882,908)</u>
	(\$572,331)

*Governmental revenues not reported in the funds:*

Increase in Delinquent Income Tax Revenue	\$164,916
Decrease in Charges for Services	(10,201)
Decrease in Delinquent Property Tax	(100,363)
Increase in Shared Revenue	139,981
Decrease in Interest Revenue	(41,531)
Increase in Special Assessment Revenue	<u>105,864</u>
	\$258,666

*Expenses not requiring the use of current financial resources:*

Increase in Compensated Absences Payable	(\$24,514)
Increase in supplies inventory	<u>10,011</u>
	(\$14,503)

**NOTE 4 - COMPLIANCE AND ACCOUNTABILITY**

**A. 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, 2003, expenditures exceeded appropriations as follows:

Fund	Excess
<i>General Fund:</i>	
Public Health and Welfare Services	\$2,046
Community Environment	45
Transportation	3,383
General Government	125,637
Transfers Out	4,226

The excess expenditures were funded from available fund balance.

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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#### **NOTE 4 - COMPLIANCE AND ACCOUNTABILITY (Continued)**

##### **B. 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, 2003, the City was in violation of ORC 5705.41(D) for failure to certify the availability of funds for expenditure transactions.

#### **NOTE 5 - 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;

## **CITY OF WICKLIFFE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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#### **NOTE 5 - 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.

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

Investment earnings of \$103,343 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.

## **CITY OF WICKLIFFE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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#### **NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

##### ***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 \$8,623,994 and the bank balance was \$8,122,712. 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, 2003 are summarized below:

	<u>Fair Value</u>
STAR Ohio	\$6,580,000

STAR Ohio 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	\$8,183,994	\$7,020,000
Certificates of Deposit (with maturities of more than 3 months)	7,020,000	(7,020,000)
Investments:		
STAR Ohio	(6,580,000)	6,580,000
Per GASB Statement No. 3	<u>\$8,623,994</u>	<u>\$6,580,000</u>

\* Includes Cash with Fiscal Agent.

## *CITY OF WICKLIFFE, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2003*

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#### **NOTE 6 - 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 2003 were levied after October 1, 2002 on assessed values as of January 1, 2002, 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 2003. 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, 2003, was \$7.40 per \$1,000 of assessed value. The assessed value upon which the 2003 property tax receipts were based was \$316,141,166. This amount constitutes \$254,984,580 in real property assessed value, \$8,959,020 in public utility assessed value and \$52,197,566 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.

## **CITY OF WICKLIFFE, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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#### **NOTE 6 – 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 7 - RECEIVABLES**

Receivables at December 31, 2003, consisted of taxes, interest, accounts receivable, special assessments, interfund and intergovernmental receivables arising from shared revenues.

#### **NOTE 8 - TRANSFERS**

The following is a summary of transfers for all funds for 2003:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$309,126
Special Revenue Funds:		
City Highway Fund	320	0
Swimming Pool Fund	150,000	0
Lake Transportation Fund	15,000	0
Litter Control Fund	60,000	0
Senior Citizens Fund	5,000	0
Total Special Revenue Funds	<u>230,320</u>	<u>0</u>
Capital Projects Funds:		
Capital Projects Fund	27,582	0
Special Projects Fund	51,224	0
Total Capital Projects Funds	<u>78,806</u>	<u>0</u>
Totals	<u><u>\$309,126</u></u>	<u><u>\$309,126</u></u>

**CITY OF WICKLIFFE, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003**

**NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES**

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

	Interfund Loan Receivable	Interfund Loan Payable
Capital Projects Fund:		
Special Project Fund	\$850,000	\$0
Enterprise Fund:		
Sewer Fund	0	850,000
Totals	\$850,000	\$850,000

**NOTE 10 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2003:

***Historical Cost:***

	Restated December 31, 2002	Additions	Deletions	December 31, 2003
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$16,992,788	\$0	\$0	\$16,992,788
Construction in Progress	5,946,533	0	(5,946,533)	0
<b><i>Capital assets being depreciated:</i></b>				
Buildings	7,289,555	0	0	7,289,555
Improvements Other Than Buildings	821,193	7,176	0	828,369
Machinery and Equipment	8,305,847	343,052	(241,227)	8,407,672
Infrastructure	63,961,287	8,906,882	0	72,868,169
Total Cost	\$103,317,203	\$9,257,110	(\$6,187,760)	\$106,386,553

***Accumulated Depreciation:***

	Restated December 31, 2002	Additions	Deletions	December 31, 2003
Buildings	(\$1,911,911)	(\$152,884)	\$0	(\$2,064,795)
Improvements Other Than Buildings	(138,796)	(41,190)	0	(179,986)
Machinery and Equipment	(4,605,072)	(657,884)	207,979	(5,054,977)
Infrastructure	(15,489,495)	(3,030,950)	0	(18,520,445)
Total Depreciation	(\$22,145,274)	(\$3,882,908) *	\$207,979	(\$25,820,203)
<b><i>Net Value:</i></b>	\$81,171,929			\$80,566,350

**CITY OF WICKLIFFE, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003**

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**NOTE 10 - CAPITAL ASSETS (continued)**

**A. Governmental Activities Capital Assets (Continued)**

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$394,680
Leisure Time Activities	169,791
Transportation	221,681
General Government	<u>3,096,756</u>
Total Depreciation Expense	<u><u>\$3,882,908</u></u>

**B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2003:

***Historical Cost:***

Class	December 31, 2002	Additions	Deletions	December 31, 2003
<b><i>Capital assets being depreciated:</i></b>				
Utility Structures in Service	\$11,570,120	\$0	\$0	\$11,570,120
Total Cost	<u>\$11,570,120</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11,570,120</u>

***Accumulated Depreciation:***

Class	December 31, 2002	Additions	Deletions	December 31, 2003
Utility Structures in Service	(\$6,346,126)	(\$170,529)	\$0	(\$6,516,655)
Total Depreciation	<u>(\$6,346,126)</u>	<u>(\$170,529)</u>	<u>\$0</u>	<u>(\$6,516,655)</u>
<b><i>Net Value:</i></b>	<u>\$5,223,994</u>	<u>(\$170,529)</u>	<u>\$0</u>	<u>\$5,053,465</u>



## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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#### **NOTE 11 – 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 one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits. 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. For 2003, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2003 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, 2003, 2002 and 2001 were \$453,944, \$457,514 and \$429,124, respectively, which were equal to 88.2% of the required contributions for 2003, and 100% of the required contributions for 2002 and 2001.

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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#### **NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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 2003 employer contribution rate (identified above) that was used to fund health care for the year 2003 was 5.0% of covered payroll which amounted to \$167,507.

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, 2002. 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 2002 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 364,881. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2002 is \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 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.

## *CITY OF WICKLIFFE, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2003*

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#### **NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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, 2003, 2002 and 2001 were \$367,065, \$350,974 and \$343,089 for police and \$266,567, \$295,151 and \$280,909 for firefighters, respectively, which were equal to 71.9% of the required contributions for 2003 and 100% of the required contributions for 2002 and 2001.

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 2003 covered payroll that was used to fund postemployment health care benefits was \$145,885 representing 7.75% of covered payroll for police and \$86,079 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. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2002, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,527 for police and 10,396 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, 2002 were \$141,028,006, which was net of member contributions of \$12,623,875.

## CITY OF WICKLIFFE, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2003*

#### NOTE 12 – 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.

At December 31, 2003, the City's accumulated, unpaid compensated absences amounted to \$1,318,264, which is recorded as a liability of the Governmental Activities.

#### NOTE 13 - LONG-TERM DEBT

Long-Term debt and other long-term obligations of the City at December 31, 2003 were as follows:

Year Issued	Final Maturity	Balance December 31,			Balance December 31, 2003	Amounts Due Within One Year	
		2002	Additions	(Reductions)			
<b>Governmental Activities:</b>							
<b>General Obligation Bonds:</b>							
1983	Rockefeller Road	2003	\$50,000	\$0	(\$50,000)	\$0	\$0
1983	Rush Road	2003	25,000	0	(25,000)	0	0
1983	Clayton Road	2003	10,000	0	(10,000)	0	0
Total General Obligation Bonds			85,000	0	(85,000)	0	0
Compensated Absences			1,293,750	373,827	(349,313)	1,318,264	106,280
Total Governmental Long-Term Debt			<u>\$1,378,750</u>	<u>\$373,827</u>	<u>(\$434,313)</u>	<u>\$1,318,264</u>	<u>\$106,280</u>

#### 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.

**CITY OF WICKLIFFE, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003**

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

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

Coverage		
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	17,816,766	per occurrence
Bond/Crime	25,000/50,000	per occurrence
Boiler and Machinery	17,816,766	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.

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 2003 were \$405,566. The claims liability of \$41,385 reported in the general fund at December 31, 2003 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 2002 and 2003 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2002	\$28,104	\$270,989	(\$276,080)	\$23,013
2003	23,013	423,938	(405,566)	41,385

## ***CITY OF WICKLIFFE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2003***

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

Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years. Coverages have not been materially decreased during the year.

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.

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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

The Honorable Mayor and City Council  
City of Wickliffe  
Wickliffe, Ohio

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wickliffe, (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 17, 2005, in which the City adopted Governmental Accounting Standards Board Statement No. 34, No. 35, No. 38 and GASB Interpretation 6. 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.

**Internal Controls 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 caused by error or fraud 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 we have reported to the management of the City in a separate letter dated June 17, 2005.

**Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2003-Wick-01 and 2003-Wick-02.

We also noted certain additional matters that we reported to management of the City in a separate letter dated June 17, 2005.

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

***Charles E. Harris & Associates, Inc.***

**June 17, 2005**



**CITY OF WICKLIFFE  
SCHEDULE OF FINDINGS**

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

**Finding Number : 2003-Wick-01**

**Expenditures Exceed Appropriations**

Section 5705.41 (A), Revised Code, states that no subdivision shall make any expenditure of money unless it has been properly appropriated. In 2003, the following funds were found to have expenditures exceeding appropriations:

General	\$4,508
State Highway Imp	1,800
City Highway	20,026
Laketran	1,364
Swimming Pool	45,128
Police Pension	6,091
Fire Pension	6,091
Police Fire & Trust	2,815
Litter Control	4,405
Bond Retirement	6
Sewer Fund	182,321

In addition, Auditor of State Audit Bulletin 97-010 requires budgetary compliance to be tested at the legal level of control. The City's legal level of control is the department level for the General Fund and the fund level for all other funds. The following General Fund department line items were found to have expenditures in excess of appropriations

Prisoner Housing	\$ 2,046
Building Department	45
Service Department	3,381
Law Director	9,181
Other Costs	121,684

**Finding Number : 2003- Wick-02**

**Encumbrance Method of Accounting**

Ohio Admin. Code Section 117-5-13 requires the City to use the encumbrance method of accounting. All purchase orders shall be numbered consecutively and certified by the Director of Finance that funds are available or in the process of collection free from a previous encumbrance. Each encumbrance charged against an appropriation shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance.

The City did not use the encumbrance method of accounting during the year 2003.

**CITY OF WICKLIFFE  
LAKE COUNTY**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: Per ADAM 2001-10-disclose the current year finding in this schedule</b>
2002-001	Ohio Revised Code Section 5705.41 (D)- Over expended appropriations	No	Not corrected See Finding 2003-Wick-001
2002-002	Ohio Revised Code Section 5705.41 (D)- Failure to certify funds	Yes	Corrected except for two instances It is now an immaterial finding on Management Letter



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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  
SEPTEMBER 8, 2005**