

**CITY OF STREETSBORO  
PORTAGE COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS***  
**(AUDITED)**

FOR THE YEAR ENDED  
DECEMBER 31, 2008

**TED GORDON, FINANCE DIRECTOR**





# Mary Taylor, CPA

Auditor of State

City Council  
City of Streetsboro  
9184 St. Rt. 43  
Streetsboro, Ohio 44241

We have reviewed the *Independent Auditor's Report* of the City of Streetsboro, Portage County, prepared by Julian & Grube, Inc., for the audit period January 1, 2008 through December 31, 2008. 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.

## **Finding for Recovery**

Thomas J. Wagner, former Mayor of the City of Streetsboro, participated in the City's opt-out insurance benefits program. Under this program, he was entitled to a total of \$5,684 for 2009. After review by the Assistant Finance Director, it was determined that the former Mayor was underpaid for such benefits. In computing the amount owed to the former Mayor as a result of such underpayment, a calculation error occurred. As a result, the former Mayor ended up being overcompensated in the amount of \$481.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended may be issued against Thomas J. Wagner in the amount of \$481 and in favor of the City of Streetsboro General Fund, in the amount of \$481.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Accordingly, Mitch Michalec, Assistant Finance Director, and Theodore Gordon, Finance Director, and Western Surety Company, Mr. Gordon's surety, are jointly and severally liable in the amount of \$481 in favor of the City of Streetsboro General Fund. Assistant Finance Director and Finance Director will only be liable to the extent that recovery is not received from the former Mayor.

City Council  
City of Streetsboro  
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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 Streetsboro is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA  
Auditor of State

May 5, 2010

**CITY OF STREETSBORO, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

Members of Council and Mayor  
City of Streetsboro  
9184 St. Rt. 43  
Streetsboro, OH 44241

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio, as of and for the year ended December 31, 2008, which collectively comprise the City of Streetsboro's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Streetsboro's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio, as of December 31, 2008 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 then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2010 on our consideration of the City of Streetsboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of Council and Mayor  
City of Streetsboro  
Page Two

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
February 26, 2010



## CITY OF STREETSBORO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

The management's discussion and analysis of the City of Streetsboro's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### Financial Highlights

Key financial highlights for 2008 are as follows:

- The total net assets of the City increased \$1,428,406. Net assets of governmental activities increased \$1,014,355 or 8.90% from 2007 and net assets of business-type activities increased \$414,051 or 5.60% from 2007.
- General revenues accounted for \$10,266,229 or 81.21% of total governmental activities revenue. Program specific revenues accounted for \$2,374,869 or 18.79% of total governmental activities revenue of \$12,641,098.
- The City had \$11,605,065 in expenses related to governmental activities; \$2,374,869 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$9,230,196 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$10,266,229.
- The general fund had revenues of \$8,811,150 in 2008. This represents an increase of \$411,544 from 2007 revenues. The expenditures and other financing uses of the general fund, which totaled \$9,276,297 in 2008, increased \$658,549 from 2007. The net decrease in fund balance for the general fund was \$465,147 or 21.96%.
- The capital improvement fund had revenues and other financing sources of \$1,399,172 in 2008. The expenditures in the capital improvement fund totaled \$1,273,975 in 2008. The net increase in fund balance was \$125,197, resulting in an ending fund balance of \$731,751.
- The State Route 43 widening fund had revenues and other financing sources of \$223,787 in 2008. The expenditures in the State Route 43 widening fund totaled \$13,358 in 2008. The net increase in fund balance was \$210,429, resulting in an ending fund deficit of \$781,989.
- Net assets for the business-type activities, which is made up of the water enterprise fund, increased in 2008 by \$414,051. This increase in net assets was due primarily to adequate charges for services revenue being able to cover operating expenses.
- In the general fund, the actual revenues and other financing sources came in \$32,430 more than they were in the final budget and actual expenditures were \$736,094 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues were the same in the original and the final budget. Original budgeted expenditures were increased in the final budget.

#### Using these Basic Financial Statements

This report consists of a series of financial statements and notes to those statements. These statements are prepared and organized in a manner that allows the reader to look at the financial activities of the City of Streetsboro as a whole and also allows the reader to obtain a more detailed view of the City's operations, if they prefer.

The statement of net assets and the statement of changes in net assets provide information from a summary perspective showing the effects of the operations for the year 2008 and how they impacted the operations of the City as a whole.

## **CITY OF STREETSBORO, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008**

Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

#### **Reporting the City as a Whole**

##### ***Statement of Net Assets and the Statement of Activities***

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water operations are reported here.

The City's statement of net assets and statement of activities can be found on pages 17-19 of this report.

#### **Reporting the City's Most Significant Funds**

##### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

## **CITY OF STREETSBORO, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008**

#### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, capital improvement fund and State Route 43 widening capital projects fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-24 of this report.

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

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water operations. The City's major enterprise fund is the water fund. The basic proprietary fund financial statements can be found on pages 25-28 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary fund is an agency fund. The basic fiduciary fund financial statement can be found on page 29 of this report.

#### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 30-58 of this report.

**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Government-Wide Financial Analysis**

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2008 compared to 2007:

	<b>Net Assets</b>					
	Governmental	Business-type	Governmental	Business-type	Total	Total
	Activities 2008	Activities 2008	Activities 2007	Activities 2007	2008	2007
<b><u>Assets</u></b>						
Current and other assets	\$ 9,179,374	\$ 2,548,601	\$ 9,185,147	\$ 2,610,958	\$ 11,727,975	\$ 11,796,105
Capital assets, net	<u>11,792,813</u>	<u>6,255,499</u>	<u>11,491,956</u>	<u>6,245,699</u>	<u>18,048,312</u>	<u>17,737,655</u>
Total assets	<u>20,972,187</u>	<u>8,804,100</u>	<u>20,677,103</u>	<u>8,856,657</u>	<u>29,776,287</u>	<u>29,533,760</u>
<b><u>Liabilities</u></b>						
Long-term liabilities	5,834,370	869,445	6,073,530	1,026,010	6,703,815	7,099,540
Other liabilities	<u>2,731,544</u>	<u>124,675</u>	<u>3,211,655</u>	<u>434,718</u>	<u>2,856,219</u>	<u>3,646,373</u>
Total liabilities	<u>8,565,914</u>	<u>994,120</u>	<u>9,285,185</u>	<u>1,460,728</u>	<u>9,560,034</u>	<u>10,745,913</u>
<b><u>Net assets</u></b>						
Invested in capital assets, net of related debt	8,064,332	5,638,237	7,233,396	5,531,785	13,702,569	12,765,181
Restricted	3,570,513	-	3,412,960	-	3,570,513	3,412,960
Unrestricted	<u>771,428</u>	<u>2,171,743</u>	<u>745,562</u>	<u>1,864,144</u>	<u>2,943,171</u>	<u>2,609,706</u>
Total net assets	<u>\$ 12,406,273</u>	<u>\$ 7,809,980</u>	<u>\$ 11,391,918</u>	<u>\$ 7,395,929</u>	<u>\$ 20,216,253</u>	<u>\$ 18,787,847</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the City's assets exceeded liabilities by \$20,216,253. At year-end, net assets were \$12,406,273 and \$7,809,980 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 60.61% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2008, were \$8,064,332 and \$5,638,237 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$3,570,513 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets is \$771,428.

**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

The table below shows the changes in net assets for fiscal year 2008 and 2007.

**Change in Net Assets**

	Governmental Activities 2008	Governmental Activities 2007	Business-type Activities 2008	Business-type Activities 2007	Total 2008	Total 2007
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,434,570	\$ 1,375,739	\$ 2,397,235	\$ 2,490,080	\$ 3,831,805	\$ 3,865,819
Operating grants and contributions	940,299	1,173,744	-	-	940,299	1,173,744
<b>Total program revenues</b>	<u>2,374,869</u>	<u>2,549,483</u>	<u>2,397,235</u>	<u>2,490,080</u>	<u>4,772,104</u>	<u>5,039,563</u>
General revenues:						
Property taxes	1,432,633	1,234,403	-	-	1,432,633	1,234,403
Income taxes	7,658,790	6,730,911	-	-	7,658,790	6,730,911
Other local taxes	575,366	517,194	-	-	575,366	517,194
Unrestricted grants and entitlements	480,641	482,649	-	-	480,641	482,649
Investment earnings	92,513	319,187	31,640	14,952	124,153	334,139
Miscellaneous	26,286	14,354	118,975	1,669	145,261	16,023
<b>Total general revenues</b>	<u>10,266,229</u>	<u>9,298,698</u>	<u>150,615</u>	<u>16,621</u>	<u>10,416,844</u>	<u>9,315,319</u>
<b>Total revenues</b>	<u>12,641,098</u>	<u>11,848,181</u>	<u>2,547,850</u>	<u>2,506,701</u>	<u>15,188,948</u>	<u>14,354,882</u>
<b>Expenses</b>						
Program expenses:						
General government	2,461,997	2,221,075	-	-	2,461,997	2,221,075
Security of persons and property	5,618,765	5,132,602	-	-	5,618,765	5,132,602
Public health and welfare	21,807	16,526	-	-	21,807	16,526
Transportation	1,067,740	2,059,304	-	-	1,067,740	2,059,304
Community environment	707,206	688,613	-	-	707,206	688,613
Leisure time activity	546,815	553,975	-	-	546,815	553,975
Economic development	300	300	-	-	300	300
Utility services	963,177	820,712	-	-	963,177	820,712
Interest and fiscal charges	217,258	240,081	-	-	217,258	240,081
Water	-	-	2,155,477	2,560,331	2,155,477	2,560,331
<b>Total expenses</b>	<u>11,605,065</u>	<u>11,733,188</u>	<u>2,155,477</u>	<u>2,560,331</u>	<u>13,760,542</u>	<u>14,293,519</u>
Increase in net assets before transfers	1,036,033	114,993	392,373	(53,630)	1,428,406	61,363
Transfers	(21,678)	(21,678)	21,678	21,678	-	-
<b>Change in net assets</b>	1,014,355	93,315	414,051	(31,952)	1,428,406	61,363
Net assets at beginning of year	11,391,918	11,298,603	7,395,929	7,427,881	18,787,847	18,726,484
<b>Net assets at end of year</b>	<u>\$ 12,406,273</u>	<u>\$ 11,391,918</u>	<u>\$ 7,809,980</u>	<u>\$ 7,395,929</u>	<u>\$ 20,216,253</u>	<u>\$ 18,787,847</u>

## CITY OF STREETSBORO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

#### Governmental Activities

Governmental activities net assets increased \$1,014,355 in 2008. This increase is primarily due to increased income tax collections as well as decreases in expenses.

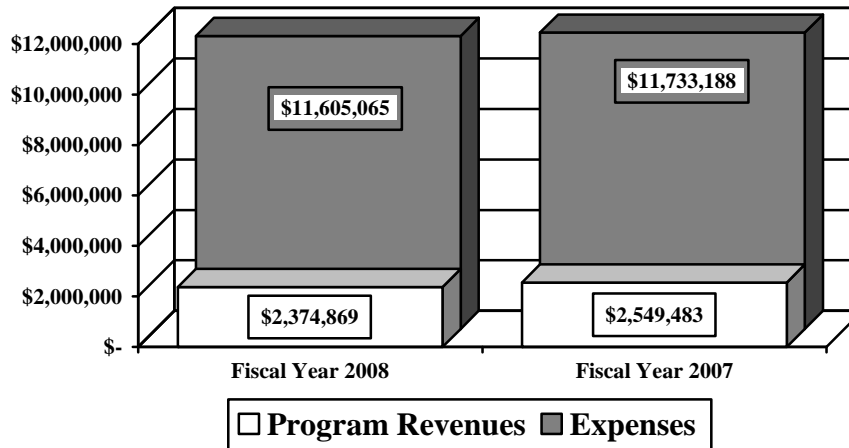
Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$5,618,765 which accounted for 48.42% of the total governmental expenses of the City. These expenses were partially funded by \$579,634 in direct charges to users of the services and \$41,294 in operating grants and contributions. General government expenses totaled \$2,461,997 which was partially funded by \$439,119 in direct charges to users of the services.

The State and Federal government contributed to the City a total of \$940,299 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$878,846 subsidized transportation programs and \$41,294 subsidized security of persons and property activities.

General revenues totaled \$10,266,229, and amounted to 81.21% of total governmental activities revenues. These revenues primarily consist of property, income and other local tax revenue of \$9,666,789. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$480,641.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

**Governmental Activities - Program Revenues vs. Total Expenses**



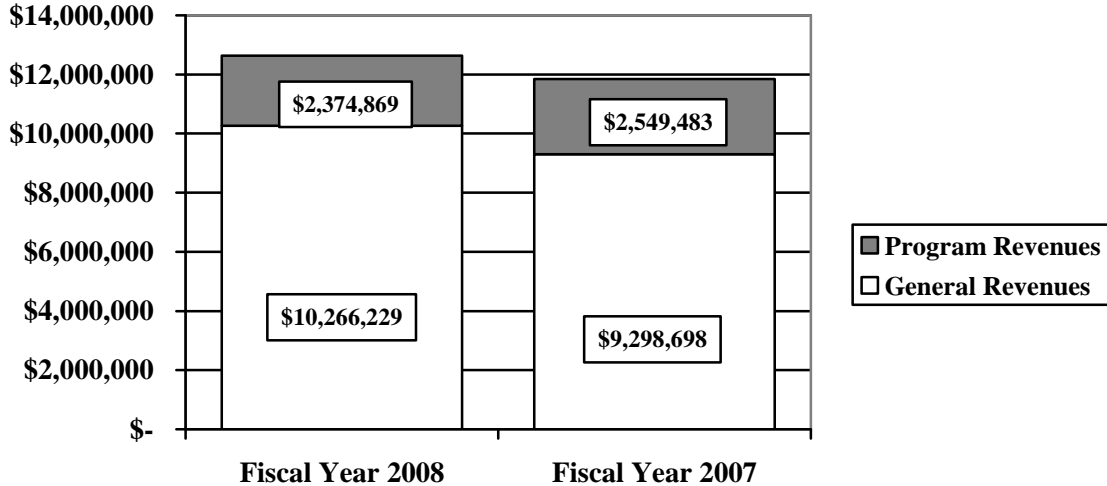
**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Governmental Activities**

	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
<b>Program expenses:</b>				
General government	\$ 2,461,997	\$ 2,221,075	\$ 2,012,878	\$ 1,820,593
Security of persons and property	5,618,765	5,132,602	4,997,837	4,339,806
Public health and welfare	21,807	16,526	14,124	4,878
Transportation	1,067,740	2,059,304	188,894	1,191,874
Community environment	707,206	688,613	374,066	331,618
Leisure time activity	546,815	553,975	471,821	456,086
Economic development	300	300	(9,859)	(21,943)
Utility services	963,177	820,712	963,177	820,712
Interest and fiscal charges	217,258	240,081	217,258	240,081
<b>Total expenses</b>	<u>\$ 11,605,065</u>	<u>\$ 11,733,188</u>	<u>\$ 9,230,196</u>	<u>\$ 9,183,705</u>

**Governmental Activities - General and Program Revenues**



**Business-type Activities**

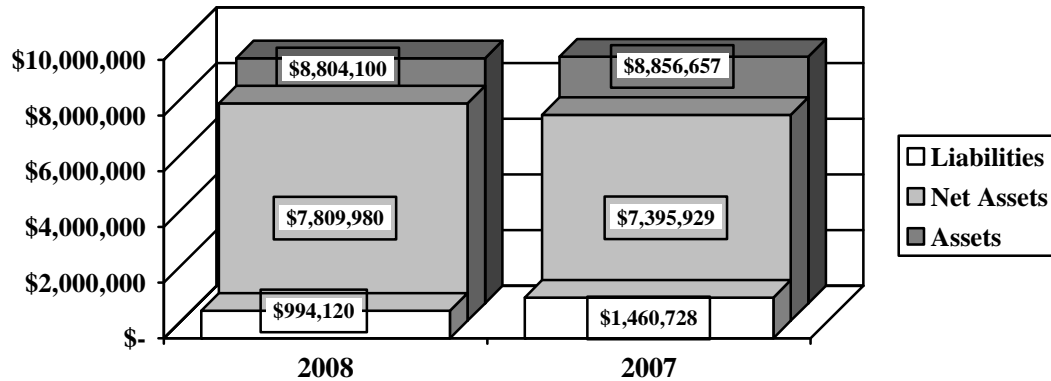
Business-type activities include the water enterprise fund. This program had program revenues of \$2,397,235, general revenues of \$150,615 and expenses of \$2,155,477 for 2008. The increase in net assets of \$414,051 was an increase of 5.60% from 2007 net assets. This increase was due to a decrease in program revenues of \$92,845 or 3.73% and a decrease in expenses of \$404,854 or 15.81%.

**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**Net Assets in Business – Type Activities**



**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$3,669,991 which is a \$193,119 decrease from last year's total of \$3,863,110. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2008 for all major and nonmajor governmental funds.

	Fund Balances/ (Deficit) <u>12/31/08</u>	Fund Balances/ (Deficit) <u>12/31/07</u>	Increase (Decrease)
<b>Major governmental funds:</b>			
General	\$ 1,652,792	\$ 2,117,939	\$ (465,147)
Capital Improvement	731,751	606,554	125,197
State Route 43 widening	(781,989)	(992,418)	210,429
Other nonmajor governmental funds	<u>2,067,437</u>	<u>2,131,035</u>	<u>(63,598)</u>
<b>Total</b>	<u>\$ 3,669,991</u>	<u>\$ 3,863,110</u>	<u>\$ (193,119)</u>



**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

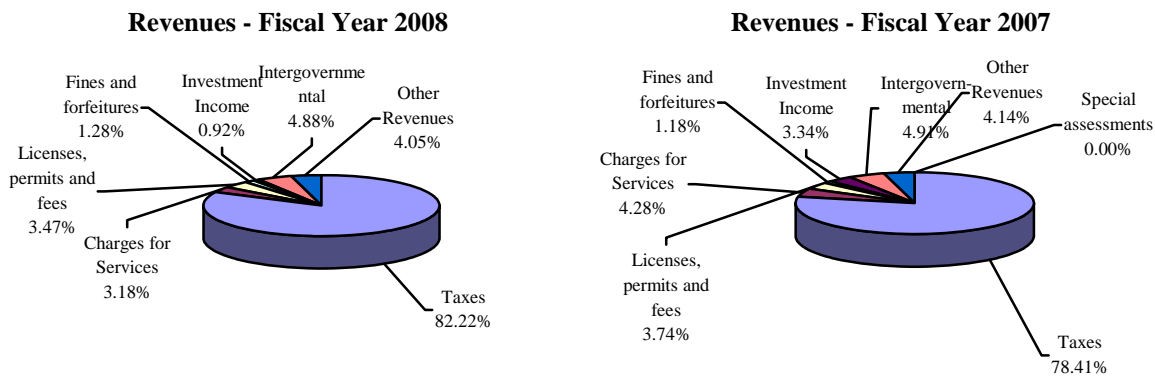
**General Fund**

The City's general fund balance decreased \$465,147 or 21.96% from 2007. The table that follows assists in illustrating the revenues of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues</b>			
Taxes	\$ 7,244,818	\$ 6,586,425	10.00 %
Charges for services	280,568	359,409	(21.94) %
Licenses, permits and fees	306,005	313,744	(2.47) %
Fines and forfeitures	113,042	99,346	13.79 %
Intergovernmental	428,860	412,148	4.05 %
Special assessments	-	396	(100.00) %
Investment income	81,196	280,194	(71.02) %
Other	<u>356,661</u>	<u>347,944</u>	2.51 %
<b>Total</b>	<u>\$ 8,811,150</u>	<u>\$ 8,399,606</u>	4.90 %

Tax revenue represents 82.22% of all general fund revenue. Taxes increased 10.00% during 2008. Investment income decreased due to decreases in interest rates. The most significant decreases in revenue occurred in charges for services and licenses, permits and fees. The decrease in charges for services can be attributed to a decrease in charges received for ambulance services. The decrease in licenses, permits and fees is primarily due to a decrease in building permits.

The graphs below display general fund revenues by category for 2008 and 2007:



**CITY OF STREETSBORO, OHIO**

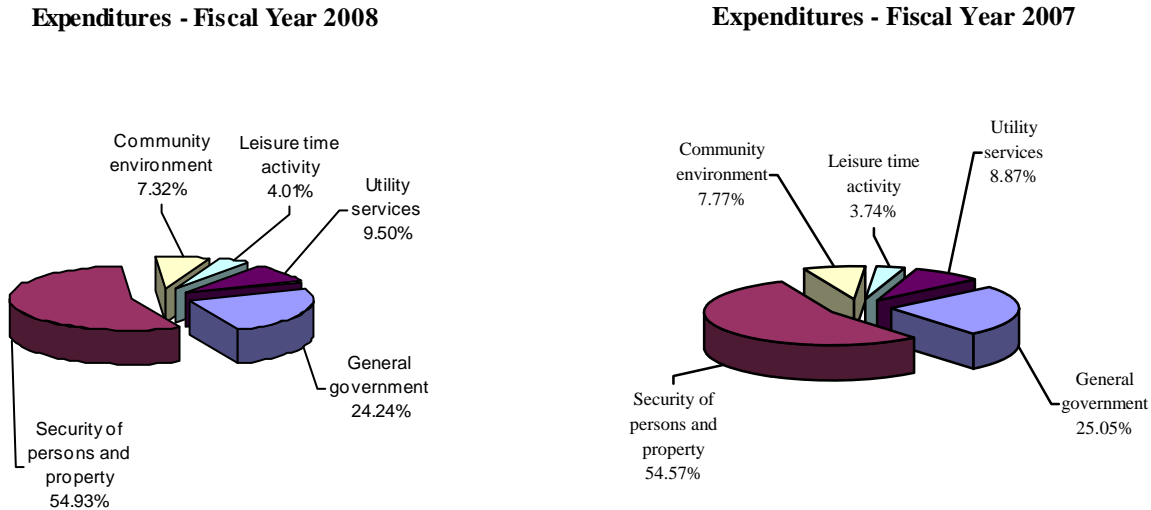
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 2,248,337	\$ 2,150,924	4.53 %
Security of persons and property	5,093,627	4,686,299	8.69 %
Community environment	678,677	667,224	1.72 %
Leisure time activity	372,122	320,789	16.00 %
Utility services	<u>880,762</u>	<u>761,628</u>	15.64 %
Total	<u>\$ 9,273,525</u>	<u>\$ 8,586,864</u>	8.00 %

The most significant increase in expenditures occurred in security of persons and property. This line item increased approximately \$407,328 over the prior fiscal year. This is due to increasing costs in wages and benefits for the City's police and fire departments. The increased cost of fuel for the City's police and fire vehicles also contributed to the increase in security of persons and property. Leisure-time activity expenditures increase approximately \$51,333 over the prior fiscal year. This increase was primarily due to increased expenditures for the City's parks. Utility services increase approximately \$119,134 over the prior fiscal year. This increase is primarily due to an increase in fuel and maintenance costs for the City's service vehicles.

The graphs below display general fund expenditures by function for 2008 and 2007:



***Capital Improvement Fund***

The capital improvement fund had revenues and other financing sources of \$1,399,172 in 2008. The expenditures in the capital improvement fund totaled \$1,273,975 in 2008. The net increase in fund balance was \$125,197, resulting in an ending fund balance of \$731,751.

**CITY OF STREETSBORO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

***State Route 43 Widening Fund***

The State Route 43 widening fund had revenues and other financing sources of \$223,787 in 2008. The expenditures in the State Route 43 widening fund totaled \$13,358 in 2008. The net increase in fund balance was \$210,429, resulting in an ending fund deficit of \$781,989.

***Budgeting Highlights***

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

In the general fund, the actual revenues and other financing sources came in \$32,430 more than they were in the final budget and actual expenditures were \$736,094 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues stayed the same from the original to the final budget as no supplemental certificates of estimated resources were approved by the Budget Commission prior to December 31, 2008. Budgeted expenditures were increased in the final budget.

***Proprietary Fund***

The City's proprietary fund provides the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The City had no internal balances between business-type activities and governmental activities at December 31, 2008.

**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Capital Assets and Debt Administration**

*Capital Assets*

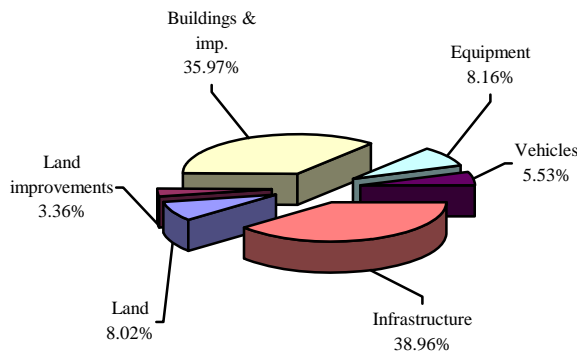
At the end of fiscal 2008, the City had \$18,048,312, net of accumulated depreciation, invested in land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. Of this total, \$11,792,813 was reported in governmental activities and \$6,255,499 was reported in business-type activities. The following table shows fiscal 2008 balances compared to 2007.

**Capital Assets at December 31  
(Net of Depreciation)**

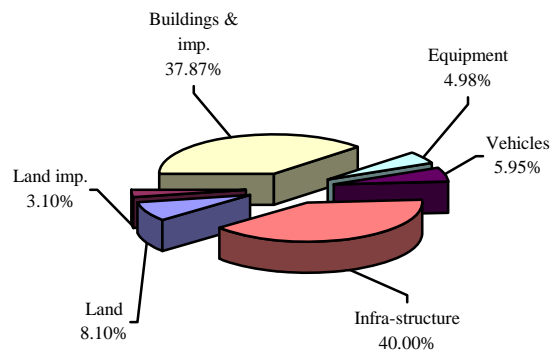
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 945,240	\$ 930,915	\$ -	\$ -	\$ 945,240	\$ 930,915
Construction-in-progress	-	-	1,692,696	1,500,564	1,692,696	1,500,564
Land improvements	396,256	356,825	-	-	396,256	356,825
Buildings and improvements	4,242,308	4,351,902	-	-	4,242,308	4,351,902
Equipment	961,781	571,659	141,327	116,100	1,103,108	687,759
Vehicles	651,964	683,472	163,107	108,318	815,071	791,790
Infrastructure	4,595,264	4,597,183	4,258,369	4,520,717	8,853,633	9,117,900
<b>Totals</b>	<b>\$ 11,792,813</b>	<b>\$ 11,491,956</b>	<b>\$ 6,255,499</b>	<b>\$ 6,245,699</b>	<b>\$ 18,048,312</b>	<b>\$ 17,737,655</b>

The following graphs show the breakdown of governmental capital assets by category for 2008 and 2007.

**Capital Assets - Governmental Activities 2008**



**Capital Assets - Governmental Activities 2007**



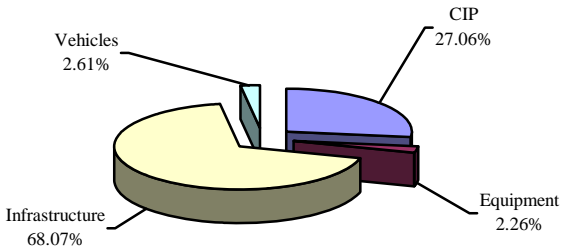
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The City only began reporting infrastructure in fiscal year 2004 in the governmental capital assets, and already it is the largest capital asset category.

**CITY OF STREETSBORO, OHIO**

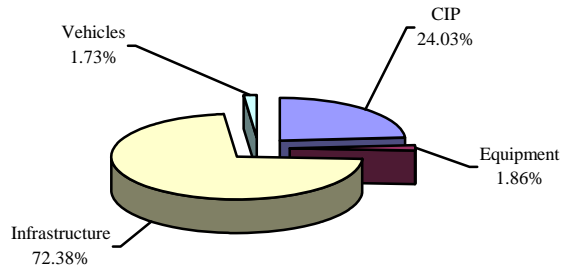
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

The following graphs show the breakdown of business-type capital assets by category for 2008 and 2007.

**Capital Assets - Business-Type Activities 2008**



**Capital Assets - Business-Type Activities 2007**



The City's largest business-type capital asset category is infrastructure for water lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 68.07% of the City's total business-type capital assets.

See Note 10 to the basic financial statements for further information on the City's capital assets.

***Debt Administration***

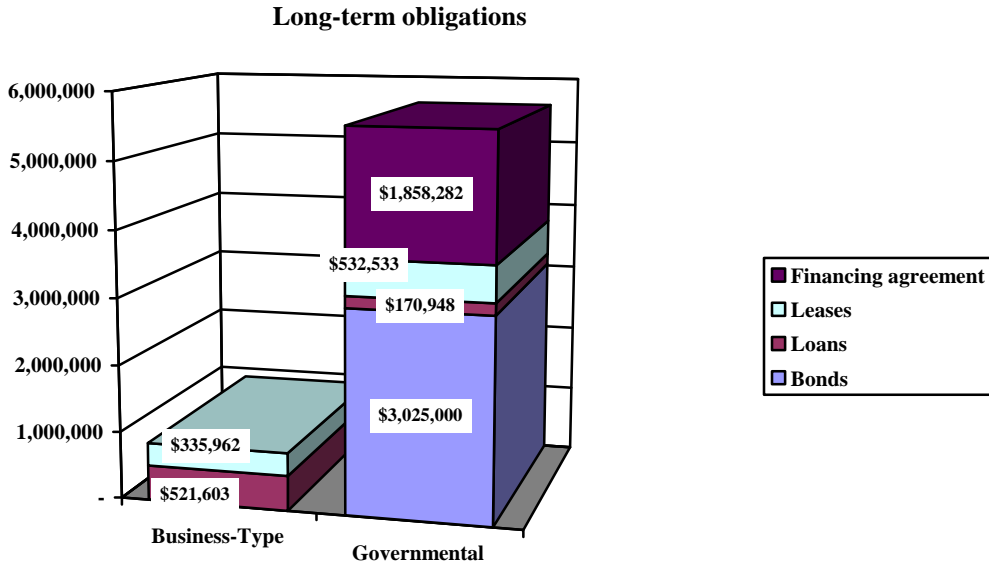
The City had the following long-term obligations outstanding at December 31, 2008 and 2007:

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
General obligation bonds payable	\$ 3,025,000	\$ 3,310,000
OPWC loans	170,948	200,776
Tax incremental financing agreement	1,858,282	1,958,946
Compensated absences	247,607	491,239
Capital lease obligation payable	<u>532,533</u>	<u>408,379</u>
<b>Total long-term obligations</b>	<b><u>\$ 5,834,370</u></b>	<b><u>\$ 6,369,340</u></b>
	Business-type Activities	
	<u>2008</u>	<u>2007</u>
OWDA Loans	\$ 513,423	\$ 522,883
OPWC Loans	8,180	29,541
Capital lease obligation payable	335,962	466,551
Compensated absences	<u>11,880</u>	<u>19,024</u>
<b>Total long-term obligations</b>	<b><u>\$ 869,445</u></b>	<b><u>\$ 1,037,999</u></b>

**CITY OF STREETSBORO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

A comparison of the long-term obligations by category is depicted in the chart below.



See Note 12 to the basic financial statements for further information on the City's long-term obligations.

**Economic Conditions and Outlook**

The following economic factors were taken into consideration in preparing the budget for fiscal year 2009:

The City has an unemployment rate currently of 11.2% compared to the 10.1% state average and the 10.2% national average.

State funding is uncertain due to budgetary shortfalls at the State level. Income and property tax revenues are expected to remain consistent as well as expenditures.

The City's budgets were forecast conservatively for 2009 based on local, state and national economic conditions and trends. The service needs of the citizens of Streetsboro were taken into account as were the ongoing financial condition of the City and any applicable budgetary constraints.

**Contacting the City's Financial Management**

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: Mr. Ted Gordon, Director of Finance, City of Streetsboro, 9184 State Route 43, Streetsboro, Ohio 44241.

**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF STREETSBORO, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 3,593,110	\$ 2,231,293	\$ 5,824,403
Receivables (net of allowances for uncollectibles):			
Income taxes . . . . .	3,042,168	-	3,042,168
Real and other taxes . . . . .	1,243,554	-	1,243,554
Accounts . . . . .	184,498	311,885	496,383
Special assessments . . . . .	180,244	-	180,244
Due from other governments . . . . .	649,846	-	649,846
Prepayments . . . . .	7,109	5,423	12,532
Materials and supplies inventory . . . . .	38,996	-	38,996
Loans receivable . . . . .	239,849	-	239,849
Capital assets:			
Land . . . . .	945,240	-	945,240
Construction in progress. . . . .	-	1,692,696	1,692,696
Depreciable capital assets, net . . . . .	10,847,573	4,562,803	15,410,376
Total capital assets, net . . . . .	<u>11,792,813</u>	<u>6,255,499</u>	<u>18,048,312</u>
Total assets. . . . .	<u>20,972,187</u>	<u>8,804,100</u>	<u>29,776,287</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	186,947	2,369	189,316
Accrued wages and benefits . . . . .	270,132	16,659	286,791
Due to other governments . . . . .	133,096	102,163	235,259
Unearned revenue. . . . .	1,165,505	-	1,165,505
Accrued interest payable. . . . .	6,642	-	6,642
Pension obligation payable. . . . .	187,233	3,484	190,717
Judgments payable . . . . .	781,989	-	781,989
Long-term liabilities:			
Due within one year . . . . .	682,438	181,655	864,093
Due in more than one year . . . . .	5,151,932	687,790	5,839,722
Total liabilities . . . . .	<u>8,565,914</u>	<u>994,120</u>	<u>9,560,034</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	8,064,332	5,638,237	13,702,569
Restricted for:			
Capital projects. . . . .	1,356,914	-	1,356,914
Debt service . . . . .	702,377	-	702,377
Transportation projects. . . . .	608,989	-	608,989
Community development projects . . . . .	544,358	-	544,358
Recreation. . . . .	61,971	-	61,971
Cemetery. . . . .	64,930	-	64,930
Convention and visitor's bureau. . . . .	42,704	-	42,704
Police and fire departments. . . . .	161,653	-	161,653
Other purposes . . . . .	26,617	-	26,617
Unrestricted. . . . .	771,428	2,171,743	2,943,171
Total net assets . . . . .	<u>\$ 12,406,273</u>	<u>\$ 7,809,980</u>	<u>\$ 20,216,253</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Governmental activities:</b>			
General government . . . . .	\$ 2,461,997	\$ 439,119	\$ 10,000
Security of persons and property. . . . .	5,618,765	579,634	41,294
Public health and welfare . . . . .	21,807	7,683	-
Transportation . . . . .	1,067,740	-	878,846
Community environment. . . . .	707,206	333,140	-
Leisure time activity. . . . .	546,815	74,994	-
Economic development. . . . .	300	-	10,159
Utility services . . . . .	963,177	-	-
Interest and fiscal charges. . . . .	217,258	-	-
Total governmental activities . . . . .	<u>11,605,065</u>	<u>1,434,570</u>	<u>940,299</u>
<b>Business-type activities:</b>			
Water . . . . .	<u>2,155,477</u>	<u>2,397,235</u>	<u>-</u>
Total business-type activities . . . . .	<u>2,155,477</u>	<u>2,397,235</u>	<u>-</u>
Total primary government. . . . .	<u>\$ 13,760,542</u>	<u>\$ 3,831,805</u>	<u>\$ 940,299</u>

**General revenues:**

Property taxes levied for:

- General purposes. . . . .
- Debt service . . . . .
- Police pension . . . . .
- Convention and visitors . . . . .

Income taxes levied for:

- General purposes. . . . .
- Capital projects . . . . .
- Other local taxes. . . . .

Grants and entitlements not restricted to specific programs:

- Investment earnings . . . . .
- Miscellaneous . . . . .

Total general revenues. . . . .

Transfers. . . . .

Change in net assets. . . . .

**Net assets at beginning of year . . . . .**

**Net assets at end of year. . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (2,012,878)	\$ -	\$ (2,012,878)
(4,997,837)	-	(4,997,837)
(14,124)	-	(14,124)
(188,894)	-	(188,894)
(374,066)	-	(374,066)
(471,821)	-	(471,821)
9,859	-	9,859
(963,177)	-	(963,177)
(217,258)	-	(217,258)
<u>(9,230,196)</u>	<u>-</u>	<u>(9,230,196)</u>
-	241,758	241,758
-	241,758	241,758
<u>(9,230,196)</u>	<u>241,758</u>	<u>(8,988,438)</u>
856,366	-	856,366
316,785	-	316,785
134,920	-	134,920
124,562	-	124,562
6,452,540	-	6,452,540
1,206,250	-	1,206,250
575,366	-	575,366
480,641	-	480,641
92,513	31,640	124,153
26,286	118,975	145,261
10,266,229	150,615	10,416,844
<u>(21,678)</u>	<u>21,678</u>	<u>-</u>
1,014,355	414,051	1,428,406
<u>11,391,918</u>	<u>7,395,929</u>	<u>18,787,847</u>
<u>\$ 12,406,273</u>	<u>\$ 7,809,980</u>	<u>\$ 20,216,253</u>

**CITY OF STREETSBORO, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

	<u>General</u>	<u>Capital Improvement</u>	<u>State Route 43 Widening</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 1,210,016	\$ 688,874	\$ -	\$ 1,694,220	\$ 3,593,110
Receivables (net of allowance for uncollectibles):					
Income taxes. . . . .	2,646,686	395,482	-	-	3,042,168
Real and other taxes. . . . .	817,778	-	-	425,776	1,243,554
Accounts . . . . .	110,689	-	-	73,809	184,498
Special assessments. . . . .	-	-	-	180,244	180,244
Due from other governments . . . . .	247,719	163	-	401,964	649,846
Loans receivable . . . . .	-	-	-	239,849	239,849
Prepayments. . . . .	7,109	-	-	-	7,109
Materials and supplies inventory . . . . .	-	-	-	38,996	38,996
<b>Total assets . . . . .</b>	<b><u>\$ 5,039,997</u></b>	<b><u>\$ 1,084,519</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,054,858</u></b>	<b><u>\$ 9,179,374</u></b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 50,284	\$ 95,328	\$ -	\$ 41,335	\$ 186,947
Accrued wages and benefits. . . . .	255,693	-	-	14,439	270,132
Due to other governments. . . . .	132,934	-	-	162	133,096
Pension obligation payable . . . . .	184,099	-	-	3,134	187,233
Judgments payable . . . . .	-	-	781,989	-	781,989
Deferred revenue . . . . .	2,000,588	257,440	-	526,453	2,784,481
Unearned revenue. . . . .	763,607	-	-	401,898	1,165,505
<b>Total liabilities . . . . .</b>	<b><u>3,387,205</u></b>	<b><u>352,768</u></b>	<b><u>781,989</u></b>	<b><u>987,421</u></b>	<b><u>5,509,383</u></b>
<b>Fund balances:</b>					
Reserved for encumbrances. . . . .	245,414	240,817	-	299,226	785,457
Reserved for prepayments . . . . .	7,109	-	-	-	7,109
Reserved for materials and supplies inventory . . . . .	-	-	-	38,996	38,996
Reserved for loans receivable. . . . .	-	-	-	239,849	239,849
Reserved for debt service. . . . .	-	-	-	504,994	504,994
Unreserved, undesignated (deficit), reported in:					
General fund . . . . .	1,400,269	-	-	-	1,400,269
Special revenue funds . . . . .	-	-	-	869,911	869,911
Capital projects funds . . . . .	-	490,934	(781,989)	114,461	(176,594)
<b>Total fund balances (deficit) . . . . .</b>	<b><u>1,652,792</u></b>	<b><u>731,751</u></b>	<b><u>(781,989)</u></b>	<b><u>2,067,437</u></b>	<b><u>3,669,991</u></b>
<b>Total liabilities and fund balances. . . . .</b>	<b><u>\$ 5,039,997</u></b>	<b><u>\$ 1,084,519</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,054,858</u></b>	<b><u>\$ 9,179,374</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2008

<b>Total governmental fund balances</b>		\$ 3,669,991
 <i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,792,813
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 46,041	
Income taxes	1,980,308	
Charges for services	158,130	
Special assessments	180,244	
Intergovernmental revenues	<u>419,758</u>	
Total		2,784,481
In the statement of activities interest is accrued on outstanding bonds and loans payable, whereas in governmental funds, interest expenditures are reported when due.		(6,642)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
General obligation bonds payable	(3,025,000)	
OPWC loans	(170,948)	
Compensated absences	(247,607)	
Tax incremental financing agreement	(1,858,282)	
Capital lease payable	<u>(532,533)</u>	
Total		<u>(5,834,370)</u>
<b>Net assets of governmental activities</b>		<u>\$ 12,406,273</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/(DEFICIT)  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>General</b>	<b>Capital Improvement</b>	<b>State Route 43 Widening</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Municipal income taxes . . . . .	\$ 5,816,534	\$ 1,098,195	\$ 105,558	\$ -	\$ 7,020,287
Property and other taxes . . . . .	1,428,284	-	-	575,984	2,004,268
Charges for services . . . . .	280,568	-	-	240,187	520,755
Licenses and permits . . . . .	306,005	-	-	-	306,005
Fines and forfeitures . . . . .	113,042	-	-	24,495	137,537
Intergovernmental . . . . .	428,860	163	-	924,854	1,353,877
Special assessments . . . . .	-	-	-	128,147	128,147
Investment income . . . . .	81,196	-	-	29,197	110,393
Contributions and donations . . . . .	-	-	-	10,000	10,000
Other . . . . .	356,661	-	-	26,287	382,948
<b>Total revenues . . . . .</b>	<b>8,811,150</b>	<b>1,098,358</b>	<b>105,558</b>	<b>1,959,151</b>	<b>11,974,217</b>
<b>Expenditures:</b>					
Current:					
General government . . . . .	2,248,337	-	-	20,023	2,268,360
Security of persons and property . . . . .	5,093,627	-	-	238,560	5,332,187
Public health and welfare . . . . .	-	-	-	11,781	11,781
Transportation . . . . .	-	-	-	799,211	799,211
Community environment . . . . .	678,677	-	-	-	678,677
Leisure time activity . . . . .	372,122	-	-	136,512	508,634
Economic development . . . . .	-	-	-	300	300
Utility services . . . . .	880,762	-	-	-	880,762
Capital outlay . . . . .	-	1,077,896	-	78,678	1,156,574
Debt service:					
Principal retirement . . . . .	-	170,183	-	421,969	592,152
Interest and fiscal charges . . . . .	-	25,896	13,358	178,580	217,834
<b>Total expenditures . . . . .</b>	<b>9,273,525</b>	<b>1,273,975</b>	<b>13,358</b>	<b>1,885,614</b>	<b>12,446,472</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(462,375)	(175,617)	92,200	73,537	(472,255)
<b>Other financing sources (uses):</b>					
Capital lease transactions . . . . .	-	300,814	-	-	300,814
Transfers in . . . . .	-	-	118,229	2,772	121,001
Transfers out . . . . .	(2,772)	-	-	(139,907)	(142,679)
<b>Total other financing sources (uses) . . . . .</b>	<b>(2,772)</b>	<b>300,814</b>	<b>118,229</b>	<b>(137,135)</b>	<b>279,136</b>
Net change in fund balances . . . . .	(465,147)	125,197	210,429	(63,598)	(193,119)
<b>Fund balances (deficit) at beginning of year . . . . .</b>	<b>2,117,939</b>	<b>606,554</b>	<b>(992,418)</b>	<b>2,131,035</b>	<b>3,863,110</b>
<b>Fund balances (deficit) at end of year . . . . .</b>	<b>\$ 1,652,792</b>	<b>\$ 731,751</b>	<b>\$ (781,989)</b>	<b>\$ 2,067,437</b>	<b>\$ 3,669,991</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Net change in fund balances - total governmental funds:** \$ (193,119)

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

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

Capital outlays	\$ 1,007,229	
Depreciation expense	(706,372)	
Total		300,857

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

Income taxes	638,503	
Real and other taxes	823	
Intergovernmental	42,791	
Charges for services	12,247	
Special assessments	(27,483)	
Total		666,881

Proceeds of capital lease transaction are reported as an other financing source in the governmental funds, but they increase liabilities on the statement of net assets. (300,814)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 576

Repayment of bonds, capital lease obligations and other long-term liabilities are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net assets. Principal payments during the year were:

General obligation bonds	285,000	
Tax incremental financing agreement	100,664	
Capital lease obligations	176,660	
OPWC loans	29,828	
Total		592,152

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (52,178)

**Change in net assets of governmental activities** \$ 1,014,355

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, 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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 5,347,573	\$ 5,347,573	\$ 5,705,691	\$ 358,118
Property and other taxes . . . . .	1,239,670	1,239,670	1,426,388	186,718
Charges for services . . . . .	279,734	279,734	287,300	7,566
Licenses and permits. . . . .	318,053	318,053	306,005	(12,048)
Fines and forfeitures . . . . .	99,117	99,117	111,909	12,792
Intergovernmental . . . . .	416,797	416,797	425,381	8,584
Special assessments . . . . .	1,061	1,061	-	(1,061)
Investment income. . . . .	296,683	296,683	81,196	(215,487)
Other . . . . .	366,387	366,387	321,464	(44,923)
Total revenues. . . . .	<u>8,365,075</u>	<u>8,365,075</u>	<u>8,665,334</u>	<u>300,259</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,490,878	2,498,664	2,319,000	179,664
Security of persons and property . . . . .	5,265,906	5,636,154	5,230,891	405,263
Community environment . . . . .	842,395	751,413	697,383	54,030
Leisure time activity . . . . .	375,864	414,901	385,068	29,833
Utility services . . . . .	831,053	974,576	904,500	70,076
Total expenditures . . . . .	<u>9,806,096</u>	<u>10,275,708</u>	<u>9,536,842</u>	<u>738,866</u>
Deficiency of revenues under expenditures . . . . .	<u>(1,441,021)</u>	<u>(1,910,633)</u>	<u>(871,508)</u>	<u>1,039,125</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	-	-	35,197	35,197
Transfers (out) . . . . .	-	-	(2,772)	(2,772)
Advances in. . . . .	303,026	303,026	-	(303,026)
Total other financing sources (uses) . . . . .	<u>303,026</u>	<u>303,026</u>	<u>32,425</u>	<u>(270,601)</u>
Net change in fund balance . . . . .	(1,137,995)	(1,607,607)	(839,083)	768,524
<b>Fund balance at beginning of year . . . . .</b>	1,479,287	1,479,287	1,479,287	-
<b>Prior year encumbrances appropriated . . . . .</b>	316,441	316,441	316,441	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 657,733</u>	<u>\$ 188,121</u>	<u>\$ 956,645</u>	<u>\$ 768,524</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF STREETSBORO, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 DECEMBER 31, 2008

	<b>Business-Type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>Water</b>	
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$	2,231,293
Receivables (net of allowance for uncollectibles):		
Accounts . . . . .		311,885
Prepayments. . . . .		5,423
Total current assets . . . . .		<u>2,548,601</u>
Noncurrent assets:		
Capital assets:		
Construction in progress . . . . .		1,692,696
Depreciable capital assets, net . . . . .		4,562,803
Total capital assets . . . . .		<u>6,255,499</u>
Total assets . . . . .		<u>8,804,100</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable. . . . .		2,369
Accrued wages and benefits . . . . .		16,659
Compensated absences . . . . .		4,690
Due to other governments . . . . .		102,163
Pension obligation payable . . . . .		3,484
Capital lease obligation - current. . . . .		158,845
OPWC loans payable - current . . . . .		8,180
OWDA loans payable - current . . . . .		9,940
Total current liabilities . . . . .		<u>306,330</u>
Long-term liabilities:		
Capital lease obligation. . . . .		177,117
OWDA loans payable . . . . .		503,483
Compensated absences . . . . .		7,190
Total long-term liabilities . . . . .		<u>687,790</u>
Total liabilities . . . . .		<u>994,120</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt. . . . .		5,638,237
Unrestricted . . . . .		2,171,743
Total net assets . . . . .	\$	<u><u>7,809,980</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Business-Type Activities</b>
	<b>Enterprise Fund</b>
	<u>Water</u>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 2,397,235
Other . . . . .	<u>118,975</u>
Total operating revenues . . . . .	<u>2,516,210</u>
<b>Operating expenses:</b>	
Personal services . . . . .	440,825
Contract services . . . . .	1,234,667
Materials and supplies . . . . .	74,277
Utilities . . . . .	38,975
Depreciation . . . . .	317,600
Other . . . . .	<u>214</u>
Total operating expenses. . . . .	<u>2,106,558</u>
Operating income . . . . .	<u>409,652</u>
<b>Nonoperating revenues (expenses):</b>	
Interest revenue. . . . .	31,640
Interest expense and fiscal charges . . . . .	<u>(48,919)</u>
Total nonoperating revenues (expenses) . . . . .	<u>(17,279)</u>
Income before transfers . . . . .	392,373
Transfers in. . . . .	<u>21,678</u>
Changes in net assets . . . . .	414,051
<b>Net assets at beginning of year. . . . .</b>	<u>7,395,929</u>
<b>Net assets at end of year. . . . .</b>	<u><u>\$ 7,809,980</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF STREETSBORO, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Business-Type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>Water</b>	
<b>Cash flows from operating activities:</b>		
Cash received from customers . . . . .	\$	2,610,079
Cash received from other operations. . . . .		118,975
Cash payments for personal services . . . . .		(442,509)
Cash payments for contract services . . . . .		(1,235,743)
Cash payments for materials and supplies . . . . .		(74,212)
Cash payments for utilities. . . . .		(38,936)
Cash payments for other expenses . . . . .		(214)
		<hr/>
Net cash provided by operating activities . . . . .		937,440
		<hr/>
<b>Cash flows from noncapital financing activities:</b>		
Cash received from transfers in . . . . .		21,678
		<hr/>
Net cash provided by noncapital financing activities . . . . .		21,678
		<hr/>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets . . . . .		(610,694)
Principal retirement on OWDA loans. . . . .		(9,460)
Principal retirement on OPWC loans. . . . .		(21,361)
Principal retirement on capital leases. . . . .		(149,837)
Interest and fiscal charges. . . . .		(48,919)
		<hr/>
Net cash used in capital and related financing activities . . . . .		(840,271)
		<hr/>
<b>Cash flows from investing activities:</b>		
Interest received. . . . .		31,640
		<hr/>
Net cash provided by investing activities . . . . .		31,640
		<hr/>
Net increase in cash and cash equivalents . . . . .		150,487
		<hr/>
<b>Cash and cash equivalents at beginning of year. . . . .</b>		2,080,806
<b>Cash and cash equivalents at end of year . . . . .</b>	\$	<u>2,231,293</u>

- - Continued

**CITY OF STREETSBORO, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Business-Type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>Water</b>	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income . . . . .	\$	409,652
Adjustments:		
Depreciation . . . . .		317,600
Changes in assets and liabilities:		
Decrease in accounts receivable . . . . .		212,844
Increase in accounts payable. . . . .		141
Increase in accrued wages and benefits. . . . .		2,229
(Decrease) in pension obligation payable . . . . .		(8,570)
(Decrease) in due to other governments . . . . .		(1,301)
Increase in compensated absences payable . . . . .		4,845
Net cash provided by operating activities . . . . .	\$	<u>937,440</u>

**Non-cash transactions:**

At December 31, 2008 and December 31, 2007, the water fund purchased \$0 and \$302,542, respectively, in capital assets on account.

During 2008, the Water fund entered into a \$19,248 capital lease agreement which acquired assets that are capitalized.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2008

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 139,364
Total assets. . . . .	<u>\$ 139,364</u>
<b>Liabilities:</b>	
Undistributed monies . . . . .	<u>139,364</u>
Total liabilities . . . . .	<u>\$ 139,364</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 1 - DESCRIPTION OF THE CITY

The City of Streetsboro (the "City") was incorporated in 1969 and chartered in 1971 under the laws of the State of Ohio. The City operates under the Mayor-Council form of government.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise fund, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The most significant of the City's accounting policies are described below.

##### A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Streetsboro this includes police and fire fighting forces, a street maintenance department, a park and recreation system, planning and zoning, and a staff to provide the necessary support to these service providers and any other departments or funds for which the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

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

The City's BFS consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***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.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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 functions are self-financing or draw from the general revenues of the City.

**Fund Financial Statements** - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**C. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Capital Improvement - This fund accounts for revenues and expenditures incurred for the acquisition, construction, or improvement of general capital facilities other than those financed by proprietary funds.

State Route 43 Widening - This fund accounts for revenues and expenditures incurred for a State Route 43 widening project.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of specific capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.



## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

*Proprietary Funds* - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. The City's only proprietary fund is an enterprise fund.

*Enterprise Funds* - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the City's major enterprise fund:

*Water* - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

*Fiduciary Funds* - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for deposits in escrow held by the City.

#### D. Measurement Focus and Basis of Accounting

*Government-wide Financial Statements* - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

*Fund Financial Statements* - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide 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 financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources 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 total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

#### E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Revenues - Exchange and Non-exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

**Unearned Revenue and Deferred Revenue** - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2008, are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The legal level of budgetary control is at the object level within each fund, program, and department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

***Tax Budget*** - A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

***Estimated Resources*** - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificates of estimated resources issued during 2008.

***Appropriations*** - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the transfers, advances and total of all other expenditures for all funds. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council prior to December 31, 2008.

***Lapsing of Appropriations*** - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### **G. Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

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

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 shares price which is the price the investment could be sold for on December 31, 2008.

Investment income is distributed to the funds according to charter and statutory requirements. Interest revenue credited to the general fund during 2008 amounted to \$81,196 which includes \$47,088 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

An analysis of the City's investment account at year end is provided in Note 4.

##### **H. Inventories of Materials and Supplies**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

##### **I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City’s capitalization threshold is \$5,000. The City’s infrastructure consists of streets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Equipment	5 - 20 years	5 - 10 years
Land improvements	20 years	-
Buildings/improvements	20 - 50 years	-
Vehicles	8 years	5 years
Infrastructure:		
Waterlines	-	30 years
Streets	25 years	-

**J. Compensated Absences**

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, “Accounting for Compensated Absences”, vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31, 2008 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

#### **K. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

#### **L. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements, or shared revenues received for proprietary fund operating purposes are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

#### **M. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term notes are recognized as a liability on the governmental fund financial statements when due.

#### **N. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 BFS.

Transfers between governmental funds have been eliminated in the statement of activities.

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### **O. Fund Balance Reserves**

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditures. Fund balance reserves have been established for encumbrances, prepayments, materials and supplies inventory, loans receivable and debt service.

##### **P. Estimates**

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

##### **Q. 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 borrowing 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. The amount of net assets restricted for other purposes represents amounts restricted for street lighting, litter, theater, seniors, City beautification and heritage preservation.

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

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

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for services for the water program. 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 these definitions 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 Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2008, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the City; however, certain disclosures related to postemployment benefits (see Note 16) have been modified to conform to the new reporting requirements.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the City.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the City.

**B. Deficit Fund Balance**

<u>Major fund</u>	<u>Deficit</u>
State Route 43 widening	\$ 781,989

This fund complied with Ohio State law, which does not permit a cash basis deficit at year-end. The deficit fund balance resulted from the application of GAAP which requires that a liability be recorded for a judgment payable due by the City related to the cost overages on the project. This deficit will be alleviated as the City provides various resources to pay the judgment.

**C. Noncompliance**

The City did not file their financial statements until after the deadline as required by Ohio Administrative Code Section 117-2-03(B).

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.



## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At year end, the City had \$500 in undeposited cash on hand which is included on the financial statements of the City as part of “equity in pooled cash and cash equivalents.”

**B. Deposits with Financial Institutions**

At December 31, 2008, the carrying amount of all City deposits was \$403,424 exclusive of the \$2,736,450 repurchase agreements included in investment below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2008, \$155,141 of the City’s bank balance of \$661,750 was exposed to custodial risk as discussed below, while \$506,609 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**C. Investments**

As of December 31, 2008, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or Less</u>
Repurchase agreements	\$ 2,736,450	\$ 2,736,450
STAR Ohio	<u>2,823,393</u>	<u>2,823,393</u>
Total	<u>\$ 5,559,843</u>	<u>\$ 5,559,843</u>

*Interest Rate Risk:* The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The federal agency securities underlying the repurchase agreements were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The City has no investment policy dealing with credit risk.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$2,736,450 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreements	\$ 2,736,450	49.22
STAR Ohio	<u>2,823,393</u>	<u>50.78</u>
Total	<u>\$ 5,559,843</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 403,424
Investments	5,559,843
Cash on hand	<u>500</u>
Total	<u>\$ 5,963,767</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,593,110
Business type activities	2,231,293
Agency fund	<u>139,364</u>
Total	<u>\$ 5,963,767</u>

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2008, consisted of the following, as reported in the fund financial statements:

Transfers from General Fund to:

Nonmajor Governmental	\$ 2,772
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Transfers from Nonmajor Governmental Funds to:

State Route 43 Widening	118,229
Water	<u>21,678</u>

Total	<u>\$ 142,679</u>
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfers out of the nonmajor governmental debt service funds into the State Route 43 widening fund and the water enterprise fund represent the transfer of debt principal and interest payments to the fund which reports the debt as a fund liability. Transfers between governmental funds are eliminated in the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, was 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 6 - PROPERTY TAXES - (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2008-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Streetsboro. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2008 was \$2.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 424,925,010
Commercial/industrial/mineral	6,551,320
Tangible personal property	626,115

Public utility

Real	19,450
Personal	<u>5,970,110</u>
Total assessed value	<u>\$ 438,092,005</u>

**NOTE 7 - LOCAL INCOME TAX**

The City levies and collects an income tax of 1.0% on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows no credit for the tax paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly.

Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and to file a final return annually.

Income tax revenues are distributed to the general, capital improvement and State Route 43 widening funds. Total income tax revenues were \$7,020,287 in 2008.

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2008, consisted of taxes, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2008, as well as intended to finance fiscal year 2008 operations.

The loan receivable at December 31, 2008, represents revolving loans made to private enterprises under the United States Department of Housing and Urban Development Community Development Block Grant Program. The loans are due on February 21, 2015 and January 1, 2018 and bear interest rates of 5%. The loans are administered by Neighborhood Development Services.

A summary of the intergovernmental receivables follows:

<b>Governmental activities:</b>	<u>Amounts</u>
Local government state support	\$ 179,569
Motor vehicle and gas tax	365,631
Other	6,173
Utility deregulation reimbursement	1,251
Homestead and rollback	52,481
Estate tax	26,505
Permissive license tax	<u>18,236</u>
Total	<u>\$ 649,846</u>

All receivables are expected to be collected in the subsequent year except for special assessments receivable which will be collected over the life of the assessments and loans receivable which will be collected over the terms of the loan agreements.

**NOTE 9 - SPECIAL ASSESSMENTS**

Special assessments include annually assessed service assessments. Service type special assessments are levied against all property owners which benefit from the provided service. Special assessments are payable by the time and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

The City’s special assessments include street improvements and tax increment financing (TIF) collections which are billed by the County Auditor and collected by the County Treasurer and periodically remitted to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year. Special assessments collected for street improvements are used to retire OPWC loans and are recorded in a nonmajor debt service fund.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 10 - CAPITAL ASSETS**

- A. Capital asset activity for governmental activities for the year ended December 31, 2008, was as follows:

<b>Governmental activities:</b>	Balance <u>12/31/07</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 930,915	\$ 14,325	\$ -	\$ 945,240
Total capital assets, not being depreciated	<u>930,915</u>	<u>14,325</u>	<u>-</u>	<u>945,240</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	928,380	87,239	-	1,015,619
Buildings and improvements	5,843,803	11,060	-	5,854,863
Equipment	2,166,007	530,685	-	2,696,692
Vehicles	3,702,771	142,860	(20,733)	3,824,898
Infrastructure	<u>5,454,821</u>	<u>221,060</u>	<u>-</u>	<u>5,675,881</u>
Total capital assets, being depreciated	<u>18,095,782</u>	<u>992,904</u>	<u>(20,733)</u>	<u>19,067,953</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(571,555)	(47,808)	-	(619,363)
Buildings and improvements	(1,491,901)	(120,654)	-	(1,612,555)
Equipment	(1,594,348)	(140,563)	-	(1,734,911)
Vehicles	(3,019,299)	(174,368)	20,733	(3,172,934)
Infrastructure	<u>(857,638)</u>	<u>(222,979)</u>	<u>-</u>	<u>(1,080,617)</u>
Total accumulated depreciation	<u>(7,534,741)</u>	<u>(706,372)</u>	<u>20,733</u>	<u>(8,220,380)</u>
Total capital assets, being depreciated, net	<u>10,561,041</u>	<u>286,532</u>	<u>-</u>	<u>10,847,573</u>
Governmental activities capital assets, net	<u>\$ 11,491,956</u>	<u>\$ 300,857</u>	<u>\$ -</u>	<u>\$ 11,792,813</u>

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**B.** Capital asset activity for business-type activities for the year ended December 31, 2008, was as follows:

<b>Business-type activities:</b>	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/08</u>
<i>Capital assets, not being depreciated:</i>				
Construction in progress	\$ 1,500,564	\$ 192,132	\$ -	\$ 1,692,696
Total capital assets, not being depreciated	<u>1,500,564</u>	<u>192,132</u>	<u>-</u>	<u>1,692,696</u>
<i>Capital assets, being depreciated:</i>				
Machinery and equipment	556,878	65,593	-	622,471
Vehicles	175,018	69,675	-	244,693
Sewer/water lines	<u>8,287,080</u>	<u>-</u>	<u>-</u>	<u>8,287,080</u>
Total capital assets, being depreciated	<u>9,018,976</u>	<u>135,268</u>	<u>-</u>	<u>9,154,244</u>
<i>Less: accumulated depreciation:</i>				
Machinery and equipment	(440,778)	(40,366)	-	(481,144)
Vehicles	(66,700)	(14,886)	-	(81,586)
Sewer/water lines	<u>(3,766,363)</u>	<u>(262,348)</u>	<u>-</u>	<u>(4,028,711)</u>
Total accumulated depreciation	<u>(4,273,841)</u>	<u>(317,600)</u>	<u>-</u>	<u>(4,591,441)</u>
Total capital assets, being depreciated, net	<u>4,745,135</u>	<u>(182,332)</u>	<u>-</u>	<u>4,562,803</u>
Governmental activities capital assets, net	<u>\$ 6,245,699</u>	<u>\$ 9,800</u>	<u>\$ -</u>	<u>\$ 6,255,499</u>

**C.** Depreciation expense was charged to functions/programs of the City as follows:

<b>Governmental activities:</b>	
General government	\$ 58,511
Security of persons and property	300,860
Public health and welfare	10,026
Transportation	197,496
Community environment	25,076
Leisure time activity	37,790
Utility services	<u>76,613</u>
Total depreciation expense - governmental activities	<u>\$ 706,372</u>
<b>Business-type activities:</b>	
Water	<u>\$ 317,600</u>



**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During 2008, the City entered into capital lease agreements for the acquisition of an asphalt grinder, a wheel loader, copiers and office equipment. In prior years, the City had entered into capital lease agreements for the acquisition of two dump trucks, water equipment, and various police, fire and service vehicles. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13 “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures on the basic financial statements for the governmental funds. These expenditures are reflected as program/object expenditures on a budgetary basis.

At December 31, 2008, the capital assets under capital lease obligation have been capitalized in the amount of \$1,217,443 and \$133,339 in governmental activities and business-type activities, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2008 was \$748,207 and \$18,065 for governmental activities and business-type activities, respectively, which leaves book values of \$469,236 and \$115,274 for governmental activities and business-type activities, respectively.

For the City, corresponding liabilities were recorded in the governmental activities and business-type activities in the amounts of \$532,533 and \$335,962. In 2008, principal and interest payments for the governmental activities capital lease obligations totaled \$176,660 and \$28,793, respectively. These payments were made from the capital improvements fund (principal \$140,355) and from the street maintenance and repair nonmajor governmental fund (principal \$36,305). Capital lease payments in governmental fund have been reclassified on the financial statements to reflect debt principal and interest payments. These payments are reported as program expenditures on the budgetary statement. In 2008, principal and interest payments for the business-type activities capital lease obligations totaled \$149,837 and \$22,841, respectively. These payments were made from the water fund. Capital lease principal payments in proprietary funds are reclassified on the financial statements to reflect a reduction in the capital lease obligation remaining.

The follow is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2008:

Year Ending December 31,	Governmental Activities	Business-Type Activities	Total
2009	\$ 213,684	\$ 175,065	\$ 388,749
2010	187,988	175,065	363,053
2011	70,617	4,774	75,391
2012	70,619	4,775	75,394
2013	51,609	2,389	53,998
Total future minimum lease payments	594,517	362,068	956,585
Less: amount representing interest	(61,984)	(26,106)	(88,090)
Present value of future minimum lease payments	\$ 532,533	\$ 335,962	\$ 868,495

Of the \$335,962 capital lease obligations for business-type activities, \$240,303 relates to the acquisition of equipment which was individually less than the City’s capitalization threshold of \$5,000 and, therefore, not capitalized. This portion of the capital lease obligations is excluded from the calculation of net assets, invested in capital assets, net of related debt for the business-type activities at December 31, 2008.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 12 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities**

During 2008, the following changes occurred in the City's governmental activities long-term obligations:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts</u>
<b>Governmental activities:</b>	<u>12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/08</u>	<u>Due in</u>
<u>General obligation bonds</u>					<u>One Year</u>
1999 various purpose bonds - 3.99% to 5.55%	\$ 3,310,000	\$ -	\$ (285,000)	\$ 3,025,000	\$ 300,000
Total general obligation bonds	<u>3,310,000</u>	<u>-</u>	<u>(285,000)</u>	<u>3,025,000</u>	<u>300,000</u>
 <u>OPWC loans</u>					
St. Rt. 14 resurfacing, due 2011- 0%	40,000	-	(10,000)	30,000	10,000
Aurora, Hudson and Wellman, due 2017 - 0%	57,295	-	(6,031)	51,264	6,031
St. Rt. 303, Superior/Mt. Vernon, due 2015 - 0%	103,481	-	(13,797)	89,684	13,797
Total OPWC loans	<u>200,776</u>	<u>-</u>	<u>(29,828)</u>	<u>170,948</u>	<u>29,828</u>
 <u>Other long-term obligations</u>					
Tax incremental financing agreement	1,958,946	-	(100,664)	1,858,282	100,000
Capital lease obligations	408,379	300,814	(176,660)	532,533	187,216
Compensated absences	195,429	99,701	(47,523)	247,607	65,394
Total long-term obligations	<u>2,562,754</u>	<u>400,515</u>	<u>(324,847)</u>	<u>2,638,422</u>	<u>352,610</u>
 Total governmental activities long-term obligations	 <u>\$ 6,073,530</u>	 <u>\$ 400,515</u>	 <u>\$ (639,675)</u>	 <u>\$ 5,834,370</u>	 <u>\$ 682,438</u>

Compensated absences - Compensated absences will be paid from the fund which the employees' salaries are paid. The payments will be made from the general fund and street maintenance and repair fund.

General obligation bonds - In 1999, the City issued \$5,135,000 in general obligation bonds for various improvements that mature in 2019. The issue is comprised of current interest bonds with an annual interest rate ranging from 3.90% - 5.50%. The bonds are backed by the full faith and credit of the City and are payable from taxes levied on all taxable property. The bonds are paid by the general bond retirement fund and the police station bond retirement fund, which are both nonmajor governmental funds.

OPWC loans - In prior years the City entered into loans with the Ohio Public Works Commission (OPWC). The loans are for the construction, maintenance and operation of various water projects. The loans are interest free and payable from the capital improvement fund.

Tax increment financing agreement (TIF) - The City entered into a TIF in 2001 with Streetsboro Crossing Properties, Ltd. for the reimbursement for a portion of public improvement costs. Each year, special assessment collections related to the TIF are used to retire the obligation.

Capital lease obligations - See Note 11 for lease details.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

The following are the future debt service requirements for governmental activities debt at year end:

<u>Year</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 300,000	\$ 159,418	\$ 459,418
2010	270,000	144,868	414,868
2011	235,000	131,368	366,368
2012	250,000	119,383	369,383
2013	265,000	106,383	371,383
2014- 2018	1,415,000	307,206	1,722,206
2019	<u>290,000</u>	<u>16,095</u>	<u>306,095</u>
Total	<u>\$ 3,025,000</u>	<u>\$ 984,721</u>	<u>\$ 4,009,721</u>

<u>Year</u>	<u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 29,828	\$ -	\$ 29,828
2010	29,829	-	29,829
2011	29,829	-	29,829
2012	19,829	-	19,829
2013	19,830	-	19,830
2014 - 2017	<u>41,803</u>	<u>-</u>	<u>41,803</u>
Total	<u>\$ 170,948</u>	<u>\$ -</u>	<u>\$ 170,948</u>

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Business-Type Activities**

The following changes occurred in the City's business-type long-term obligations during 2008:

<b>Business-type activities:</b>	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/08</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>OWDA loan</u>					
Briar Root Manor Waterline, due 2034 - 5.01%	\$ 522,883	\$ -	\$ (9,460)	\$ 513,423	\$ 9,940
Total OWDA loans	<u>522,883</u>	<u>-</u>	<u>(9,460)</u>	<u>513,423</u>	<u>9,940</u>
<u>OPWC loans</u>					
Frost Rd waterline, due 2009 - 0%	24,541	-	(16,361)	8,180	8,180
St. Rt. 43 waterline, due 2008 - 0%	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
Total OPWC loans	<u>29,541</u>	<u>-</u>	<u>(21,361)</u>	<u>8,180</u>	<u>8,180</u>
<u>Other long-term obligations</u>					
Compensated absences	7,035	5,886	(1,041)	11,880	4,690
Capital lease obligations	<u>466,551</u>	<u>19,248</u>	<u>(149,837)</u>	<u>335,962</u>	<u>158,845</u>
Total other long-term obligations	<u>473,586</u>	<u>25,134</u>	<u>(150,878)</u>	<u>347,842</u>	<u>163,535</u>
Total business-type long term obligations	<u>\$ 1,026,010</u>	<u>\$ 25,134</u>	<u>\$ (181,699)</u>	<u>\$ 869,445</u>	<u>\$ 181,655</u>

OWDA loan - The City has entered into a debt financing arrangement through the Ohio Water Development Authority (OWDA) to fund construction projects. The amount due to the OWDA is payable solely from water revenues. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2008, the City has outstanding borrowings of \$513,423 for a waterline extension project. The loan bears an interest rate of 5.01% and matures on December 31, 2034. The loan is payable from the water fund in semi-annual installments.

OPWC loans - In prior years the City entered into loans with the Ohio Public Works Commission (OPWC). The loans are for the construction, maintenance and operation of various water projects. The loans are interest free and payable from the water fund.

Compensated absences - Compensated absences will be paid from the fund which the employees' salaries are paid, which is the water fund.

Capital lease obligations - See Note 11 for lease details.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

The following are the future debt service requirements for business-type activities debt at year-end:

Year	OPWC Loans			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 8,180	\$ -	\$ 8,180	\$ 9,940	\$ 25,599	\$ 35,539
2010	-	-	-	10,444	25,095	35,539
2011	-	-	-	10,974	24,565	35,539
2012	-	-	-	11,530	24,009	35,539
2013	-	-	-	12,115	23,424	35,539
2014 - 2018	-	-	-	70,443	107,252	177,695
2019 - 2023	-	-	-	90,216	87,479	177,695
2024 - 2028	-	-	-	115,541	62,154	177,695
2029 - 2033	-	-	-	147,973	29,722	177,695
2034	-	-	-	34,247	1,292	35,539
<b>Total</b>	<b>\$ 8,180</b>	<b>\$ -</b>	<b>\$ 8,180</b>	<b>\$ 513,423</b>	<b>\$ 410,591</b>	<b>\$ 924,014</b>

**C. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2008, the City's total debt margin was \$43,342,136 and the unvoted debt margin was \$24,023,027.

**NOTE 13 - NOTES PAYABLE**

The City's notes activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance 12/31/07	Additions	Deductions	Balance 12/31/08
<b>Governmental activities:</b>					
Short-term notes					
Bond anticipation notes					
2007 Series	5.44%	\$ 436,700	\$ -	\$ (436,700)	\$ -
<b>Total</b>		<b>\$ 436,700</b>	<b>\$ -</b>	<b>\$ (436,700)</b>	<b>\$ -</b>

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 13 - NOTES PAYABLE - (Continued)**

The bond anticipation notes were issued to finance various construction projects consisting of the widening of State Route 43 and the realigning and widening of State Route 303. The City's bond anticipation notes are backed by the full faith and credit of the City and were repaid on July 19, 2008. During 2008, notes in the amount of \$391,400 were retired from the State Route 43 widening fund and notes in the amount of \$45,300 were retired from the capital improvements fund.

**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. During 2008, the City contracted for the following insurance coverage.

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$ 1,000,000	\$ -
Annual aggregate	2,000,000	-
Employer's liability	1,000,000	25,000
Employee benefits liability:		
Each occurrence	1,000,000	-
Annual aggregate	2,000,000	-
Law enforcement officer's liability:		
Each occurrence	1,000,000	5,000
Annual aggregate	2,000,000	5,000
Public officials liability:		
Each occurrence	1,000,000	25,000
Annual aggregate	1,000,000	25,000
Property (building and contents)	12,019,878	1,000
Boiler and machinery	Included	
Inland marine:		
Special property	1,256,937	500/1,000
Electronic equipment	Included	
Automobile coverage:		
Liability	1,000,000	-
Medical payments	-	-

There has been no significant reduction in insurance coverage from 2007 and no insurance settlement has exceeded insurance coverage during the last three years.

Workers' Compensation coverage is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 15 - PENSION PLANS

##### A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

The City's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.40% of covered payroll. For 2008, a portion equal to 7.00% of covered payroll was allocated to fund the post-employment health care plan.

The City's contribution rate for pension benefits for 2008 was 7.00%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 10.40% of covered payroll. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007 and 2006 were \$198,936, \$219,868 and \$233,550, respectively; 91.36% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 15 - PENSION PLANS - (Continued)**

**B. Ohio Police and Fire Pension Fund**

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2008, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$209,328 and \$173,968 for the year ended December 31, 2008, \$188,254 and \$150,981 for the year ended December 31, 2007 and \$175,935 and \$117,206, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 71.95% has been contributed for police and 72.52% has been contributed for firefighters for 2008.

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.



## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### **NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00% of covered payroll (17.40% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$198,936, \$144,824 and \$114,236, respectively; 91.36% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

#### **B. Ohio Police and Fire Pension Fund**

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### **NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$109,846 and \$67,643 for the year ended December 31, 2008, \$99,664 and \$59,080 for the year ended December 31, 2007 and \$115,831 and \$55,920, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 100% has been contributed for police and 100% has been contributed for firefighters for 2008.

#### **NOTE 17 - COMPENSATED ABSENCES**

City employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has acquired at least one year of service with the City. Accumulated, unused sick leave is paid to a retiring employee or, upon the death of the employee, to the employee's estate, up to a maximum of nine hundred sixty hours, provided the employee has ten or more year's service with the City prior to the date of retirement or death.

#### **NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) is presented for the general fund and is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP); and,
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented.

**Net Change in Fund Balance**

	<u>General</u>
Budget basis	\$ (839,083)
Net adjustment for revenue accruals	145,816
Net adjustment for expenditure accruals	9,946
Net adjustment for other sources/uses	(35,197)
Adjustment for encumbrances	<u>253,371</u>
GAAP basis	<u>\$ (465,147)</u>

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2008.

**B. Liability**

During the State Route 43 project, the City retained services of an outside consultant. The consultant and the City approved change orders related to the project however, the Ohio Department of Transportation (ODOT) was not notified of these change orders. Since ODOT and the City shared the costs associated with the project, ODOT's position is that it should be reimbursed for the change orders of which it was not notified. The balance due to ODOT is \$781,989. This amount has been recorded as "judgments payable" in the State Route 43 widening fund.

**NOTE 20 - SUBSEQUENT EVENT**

On May 5, 2009, voters approved an increase in the City's income tax rate from 1% to 2% with a corresponding 100% tax credit to a maximum rate of 2% for all residents paying municipal income taxes to other communities, effective immediately upon passage and certification, to provide for general municipal functions and capital improvement of the City.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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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***

Members of Council and Mayor  
City of Streetsboro  
9184 St. Rt. 43  
Streetsboro, Ohio 44241

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio, as of and for the year ended December 31, 2008, which collectively comprise the City of Streetsboro's basic financial statements and have issued our report thereon dated February 26, 2010. 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 Control Over Financial Reporting

In planning and performing our audit, we considered the City of Streetsboro's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Streetsboro's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Streetsboro's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Streetsboro's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Streetsboro's financial statements that is more than inconsequential will not be prevented or detected by the City of Streetsboro's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as 2008-COS-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Streetsboro's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Members of Council and Mayor  
City of Streetsboro

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Streetsboro'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedules of findings and responses as item 2008-COS-001.

We noted certain matters that we reported to management of the City of Streetsboro in a separate letter dated February 26, 2010.

The City of Streetsboro's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Streetsboro's response, and accordingly, we express no opinion on it.

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



Julian & Grube, Inc.  
February 26, 2010

**CITY OF STREETSBORO  
PORTAGE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2008**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2008-COS-001

**Significant Deficiency/Noncompliance**

Ohio Administrative Code Section 117-2-03(B) requires GAAP basis filing entities to file their report within 150 days of year end.

The City's financial statements were not filed with the Auditor of State until November 9, 2009, well beyond the deadline for filing the financial report with the Auditor of State's Office.

This could significantly impact management's ability to effectively guide the City. Critical areas such as financial analysis, budgeting and debt financing, etc. could be negatively impacted. Lack of timely filing of an accurate report also inhibits the audit process and limits the citizens' access to annual reports.

We recommend that the City review the Ohio Administrative Code and implement policies and procedures to help ensure timely and accurate financial reporting.

Client's Response: The City Finance Director is aware of the requirements and is making an effort to be timelier in the future.

**CITY OF STREETSBORO  
PORTAGE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2007-COS-001	Ohio Revised Code Section 9.38 relates to the deposit of public money. Public money must be deposited with the Treasurer of the public office or to a designated depository on the business day following the day of receipt.	Yes	N/A
2007-COS-002	Ohio Revised Code Section 5705.41(D) requires that no orders or contract involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Partially Corrected - included in 2008 management letter
2007-COS-003	When the City converted to a new computer system for water billing during the fourth quarter billing cycle of 2007, the water rates were not entered into the system correctly resulting in billing errors.	Yes	N/A







**Mary Taylor, CPA**  
Auditor of State

**CITY OF STREETSBORO**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 18, 2010**