



Dave Yost • Auditor of State



**CITY OF STREETSBORO  
PORTAGE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Streetsboro  
Portage County  
9184 St. Rt. 43  
Streetsboro, Ohio 44241

To the Mayor and Members of Council:

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 (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2011, and the respective changes in financial position and where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2011, the City implemented Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

August 23, 2012

## CITY OF STREETSBORO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (Unaudited)

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, 2011. 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 2011 are as follows:

- The total net assets of the City increased \$2,746,906. Net assets of governmental activities increased \$1,664,990 or 14.81% from 2010 and net assets of business-type activities increased \$1,081,916 from 2010.
- General revenues accounted for \$11,596,813 or 78.67% of total governmental activities revenue. Program specific revenues accounted for \$3,145,202 or 21.33% of total governmental activities revenue of \$14,742,015.
- The City had \$13,055,346 in expenses related to governmental activities. \$3,145,202 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$9,910,144 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$11,596,813.
- The City's major governmental funds are the general fund and the capital improvement fund. The general fund had revenues and other financing sources of \$15,021,508 in 2011. This represents an increase of \$3,295,389 from 2010 revenues. The expenditures and other financing uses of the general fund, which totaled \$15,198,897 in 2011, increased \$4,919,170 from 2010. The net decrease in fund balance for the general fund was \$177,389 or 5.45%.
- The capital improvement fund had revenues and other financing sources of \$2,187,188 in 2011. This represents an increase of \$325,659 from 2010 revenues. The expenditures of the capital improvement fund, which totaled \$1,905,877 in 2011, increased \$49,156 from 2010. The net increase in fund balance for the capital improvement fund was \$281,311.
- Net assets for the business-type activities, which is made up of the water enterprise fund, increased in 2011 by \$1,081,916. This increase in net assets was due primarily to new special assessments in 2011.
- In the general fund, the actual revenues and other financing sources came in \$185,064 more than they were in the final budget and actual expenditures were \$1,455,084 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues decreased \$135,000 from the original to the final budget. Original budgeted expenditures increased in the final budget by \$5,854,833.

#### **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 2011 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, 2011 (Unaudited)**

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 2011?" 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 16-18 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, 2011 (Unaudited)**

#### ***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 and the capital improvement 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 19-23 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 24-27 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 28 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 29-60 of this report.

**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)

**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 at December 31, 2011 and December 31, 2010:

	<b>Net Assets</b>					
	Governmental	Business-type	Governmental	Business-type	Total	Total
	Activities	Activities	Activities	Activities	Total	Total
	2011	2011	2010	2010	2011	2010
<b><u>Assets</u></b>						
Current and other assets	\$ 10,688,828	\$ 3,700,115	\$ 10,815,730	\$ 2,975,472	\$ 14,388,943	\$ 13,791,202
Capital assets, net	<u>13,736,744</u>	<u>6,246,381</u>	<u>12,633,807</u>	<u>5,768,402</u>	<u>19,983,125</u>	<u>18,402,209</u>
Total assets	<u>24,425,572</u>	<u>9,946,496</u>	<u>23,449,537</u>	<u>8,743,874</u>	<u>34,372,068</u>	<u>32,193,411</u>
<b><u>Liabilities</u></b>						
Long-term liabilities	9,721,606	516,165	10,459,245	517,064	10,237,771	10,976,309
Other liabilities	<u>1,793,489</u>	<u>204,973</u>	<u>1,744,805</u>	<u>83,368</u>	<u>1,998,462</u>	<u>1,828,173</u>
Total liabilities	<u>11,515,095</u>	<u>721,138</u>	<u>12,204,050</u>	<u>600,432</u>	<u>12,236,233</u>	<u>12,804,482</u>
<b><u>Net assets</u></b>						
Invested in capital assets, net of related debt	10,208,014	5,757,632	8,787,870	5,264,648	15,965,646	14,052,518
Restricted	4,400,740	-	3,512,182	-	4,400,740	3,512,182
Unrestricted (deficit)	<u>(1,698,277)</u>	<u>3,467,726</u>	<u>(1,054,565)</u>	<u>2,878,794</u>	<u>1,769,449</u>	<u>1,824,229</u>
Total net assets	<u>\$ 12,910,477</u>	<u>\$ 9,225,358</u>	<u>\$ 11,245,487</u>	<u>\$ 8,143,442</u>	<u>\$ 22,135,835</u>	<u>\$ 19,388,929</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the City's assets exceeded liabilities by \$22,135,835. At year-end, net assets were \$12,910,477 and \$9,225,358 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 58.14% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$10,208,014 and \$5,757,632 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, \$4,400,740 represents resources that are subject to external restriction on how they may be used. The remaining deficit balance of unrestricted net assets is \$1,698,277.

**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011

The table below shows the changes in net assets for 2011 and 2010.

	<b>Change in Net Assets</b>					
	Governmental	Governmental	Business-type	Business-type	Total	Total
	Activities	Activities	Activities	Activities		
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,513,987	\$ 1,424,034	\$ 3,527,188	\$ 2,540,954	\$ 5,041,175	\$ 3,964,988
Operating grants and contributions	867,615	893,408	-	-	867,615	893,408
Capital grants and contributions	763,600	488,274	-	-	763,600	488,274
<b>Total program revenues</b>	<b>3,145,202</b>	<b>2,805,716</b>	<b>3,527,188</b>	<b>2,540,954</b>	<b>6,672,390</b>	<b>5,346,670</b>
General revenues:						
Property taxes	1,281,081	1,287,307	-	-	1,281,081	1,287,307
Income taxes	9,365,613	10,619,256	-	-	9,365,613	10,619,256
Other local taxes	372,590	353,028	-	-	372,590	353,028
Unrestricted grants and entitlements	497,143	883,872	-	-	497,143	883,872
Investment earnings	8,804	6,964	1,173	2,388	9,977	9,352
Miscellaneous	71,582	131,865	12,065	5,272	83,647	137,137
<b>Total general revenues</b>	<b>11,596,813</b>	<b>13,282,292</b>	<b>13,238</b>	<b>7,660</b>	<b>11,610,051</b>	<b>13,289,952</b>
<b>Total revenues</b>	<b>14,742,015</b>	<b>16,088,008</b>	<b>3,540,426</b>	<b>2,548,614</b>	<b>18,282,441</b>	<b>18,636,622</b>
<b>Expenses</b>						
Program expenses:						
General government	3,034,694	2,647,760	-	-	3,034,694	2,647,760
Security of persons and property	6,220,906	6,455,779	-	-	6,220,906	6,455,779
Public health and welfare	34,015	37,842	-	-	34,015	37,842
Transportation	1,270,684	1,323,948	-	-	1,270,684	1,323,948
Community environment	776,292	654,960	-	-	776,292	654,960
Leisure time activity	589,581	562,073	-	-	589,581	562,073
Economic development	300	300	-	-	300	300
Utility services	963,846	911,716	-	-	963,846	911,716
Interest and fiscal charges	165,028	117,852	-	-	165,028	117,852
Water	-	-	2,480,189	2,610,671	2,480,189	2,610,671
<b>Total expenses</b>	<b>13,055,346</b>	<b>12,712,230</b>	<b>2,480,189</b>	<b>2,610,671</b>	<b>15,535,535</b>	<b>15,322,901</b>
Increase (decrease) in net assets before transfers and extraordinary items	1,686,669	3,375,778	1,060,237	(62,057)	2,746,906	3,313,721
Extraordinary item	-	(4,600,000)	-	-	-	(4,600,000)
Transfers	(21,679)	(35,539)	21,679	35,539	-	-
<b>Change in net assets</b>	<b>1,664,990</b>	<b>(1,259,761)</b>	<b>1,081,916</b>	<b>(26,518)</b>	<b>2,746,906</b>	<b>(1,286,279)</b>
Net assets at beginning of year	11,245,487	12,505,248	8,143,442	8,169,960	19,388,929	20,675,208
<b>Net assets at end of year</b>	<b>\$ 12,910,477</b>	<b>\$ 11,245,487</b>	<b>\$ 9,225,358</b>	<b>\$ 8,143,442</b>	<b>\$ 22,135,835</b>	<b>\$ 19,388,929</b>

## CITY OF STREETSBORO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

#### Governmental Activities

Governmental activities net assets increased \$1,664,990 in 2011.

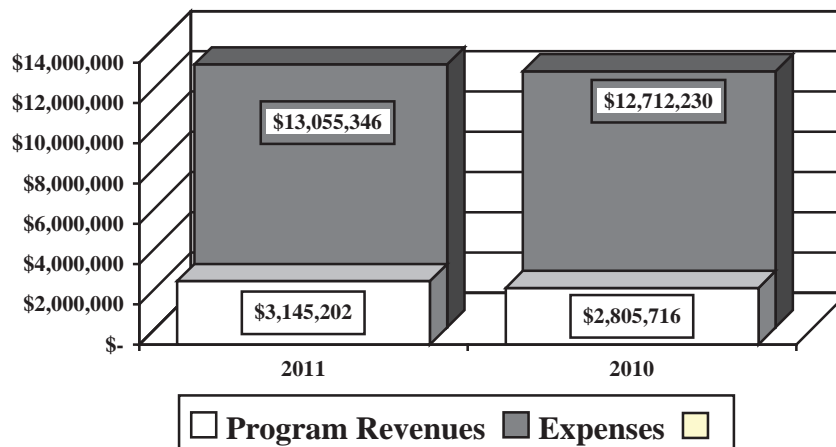
Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$6,220,906 which accounted for 47.65% of the total governmental expenses of the City. These expenses were partially funded by \$519,945 in direct charges to users of the services and \$16,132 in operating grants and contributions. General government expenses totaled \$3,034,694 which was partially funded by \$571,328 in direct charges to users of the services.

The State and Federal government contributed to the City a total of \$867,615 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$851,483 subsidized transportation programs and \$16,132 subsidized security of persons and property activities.

General revenues totaled \$11,596,813, and amounted to 78.67% of total governmental activities revenues. These revenues primarily consist of property, income and other local tax revenue of \$11,019,284. 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 \$497,143.

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**



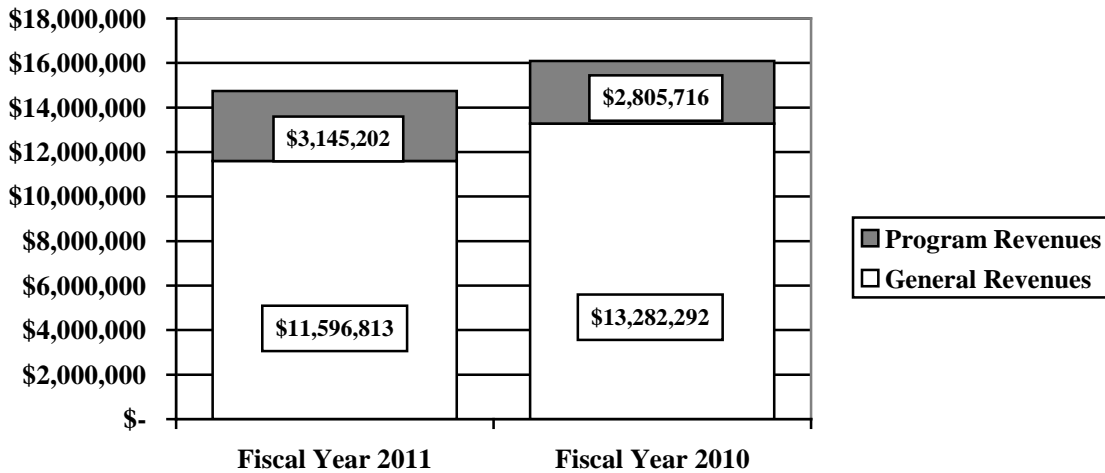
**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)

**Governmental Activities**

	Total Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2011	Net Cost of Services 2010
Program expenses:				
General government	\$ 3,034,694	\$ 2,647,760	\$ 1,699,766	\$ 2,126,691
Security of persons and property	6,220,906	6,455,779	5,684,829	5,850,141
Public health and welfare	34,015	37,842	11,880	17,373
Transportation	1,270,684	1,323,948	419,201	(28,882)
Community environment	776,292	654,960	488,511	486,054
Leisure time activity	589,581	562,073	488,786	451,199
Economic development	300	300	300	300
Utility services	963,846	911,716	951,843	885,786
Interest and fiscal charges	165,028	117,852	165,028	117,852
<b>Total expenses</b>	<b>\$ 13,055,346</b>	<b>\$ 12,712,230</b>	<b>\$ 9,910,144</b>	<b>\$ 9,906,514</b>

**Governmental Activities - General and Program Revenues**



**Business-type Activities**

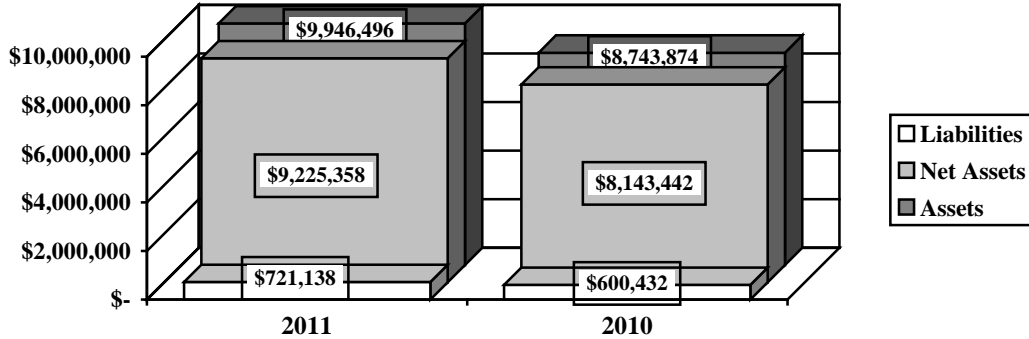
Business-type activities include the water enterprise fund. This program had program revenues of \$3,527,188, general revenues of \$13,238 and expenses of \$2,480,189 for 2011. Net assets increased \$1,081,916 from 2011 net assets. This increase was due to an increase in program revenues of \$986,234 primarily due to new special assessments in 2011.

**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)

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 \$6,692,820 which is a \$730,095 increase from last year's total of \$5,962,725. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2011 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/11</u>	Fund Balances <u>12/31/10</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 3,074,943	\$ 3,252,332	\$ (177,389)
Capital Improvement	1,079,229	797,918	281,311
Other nonmajor governmental funds	<u>2,538,648</u>	<u>1,912,475</u>	<u>626,173</u>
Total	<u>\$ 6,692,820</u>	<u>\$ 5,962,725</u>	<u>\$ 730,095</u>

**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)

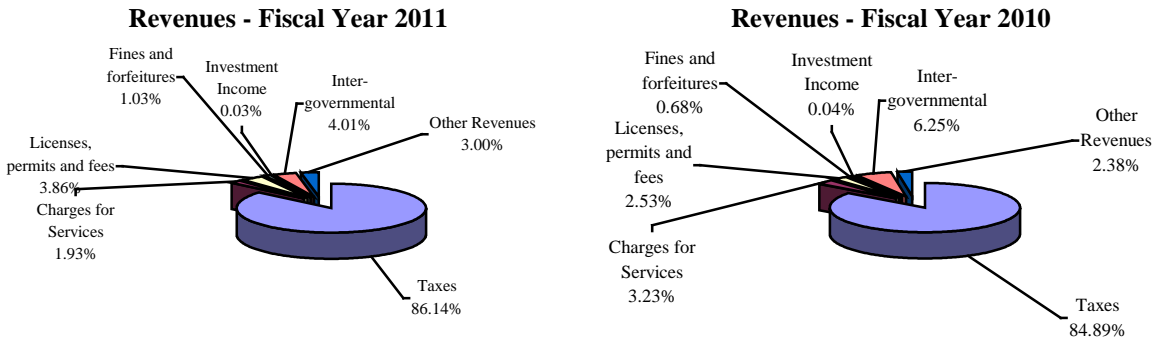
**General Fund**

The City's general fund balance decreased \$177,389 or 5.45% from 2010. The table that follows assists in illustrating the revenues of the general fund.

	<u>2011</u> <u>Amount</u>	<u>2010</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues</b>			
Taxes	\$ 9,235,071	\$ 9,902,994	(6.74) %
Charges for services	207,101	378,543	(45.29) %
Licenses, permits and fees	414,285	295,925	40.00 %
Fines and forfeitures	110,293	79,457	38.81 %
Intergovernmental	430,626	766,114	(43.79) %
Investment income	2,735	4,625	(40.86) %
Other	<u>321,397</u>	<u>278,639</u>	15.35 %
Total	<u>\$ 10,721,508</u>	<u>\$ 11,706,297</u>	(8.41) %

Tax revenue represents 86.14% of all general fund revenue. The decrease in charges for services can be attributed to a decrease in ambulance fees. The increase in licenses, permits and fees is due to an increase in permits; primarily building and electrical permits. The increase in fines and forfeitures is primarily due to an increase in police fines and forfeitures. Intergovernmental revenue decreased primarily due to a decrease in inheritance taxes and the phasing out of the tangible personal property reimbursement. The increase in other revenue is primarily due to an increase in other receivables.

The graphs below display general fund revenues by category for 2011 and 2010:



**CITY OF STREETSBORO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

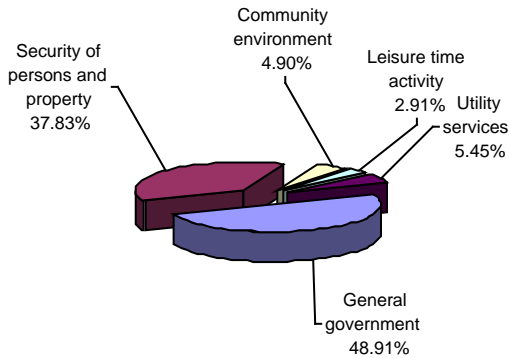
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2011 Amount</u>	<u>2010 Amount</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 7,396,870	\$ 2,400,589	208.13 %
Security of persons and property	5,719,405	5,781,006	(1.07) %
Community environment	741,205	629,224	17.80 %
Leisure time activity	440,649	441,235	(0.13) %
Utility services	<u>824,768</u>	<u>793,323</u>	3.96 %
<b>Total</b>	<b><u>\$ 15,122,897</u></b>	<b><u>\$ 10,045,377</u></b>	50.55 %

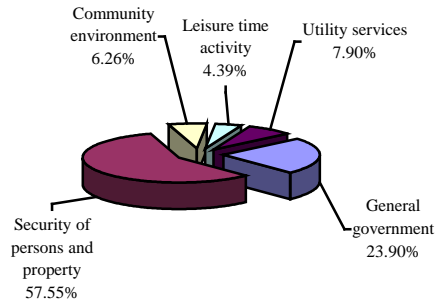
General government increased \$4,996,281 over the prior fiscal year primarily due to a judgment against the City that was paid in January of 2011. Community environment increased \$111,981 over the prior fiscal year. This increase was primarily due to increases in expenditures for the planning department. All other expenditures remained comparable to 2010.

The graphs below display general fund expenditures by function for 2011 and 2010:

**Expenditures - 2011**



**Expenditures - 2010**



***Capital Improvement Fund***

The capital improvement fund had revenues and other financing sources of \$2,187,188 in 2011. This represents an increase of \$325,659 from 2010 revenues. The expenditures of the capital improvement fund, which totaled \$1,905,877 in 2011, increased \$49,156 from 2010. The net increase in fund balance for the capital improvement fund was \$281,311.



**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)

***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 \$185,064 more than they were in the final budget and actual expenditures were \$1,455,084 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues decreased \$135,000 from the original to the final budget. Original budgeted expenditures increased in the final budget by \$5,854,833.

***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, 2011.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2011, the City had \$19,983,125, net of accumulated depreciation, invested in land, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. Of this total, \$13,736,744 was reported in governmental activities and \$6,246,381 was reported in business-type activities. The following table shows December 31, 2011 balances compared to December 31, 2010.

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

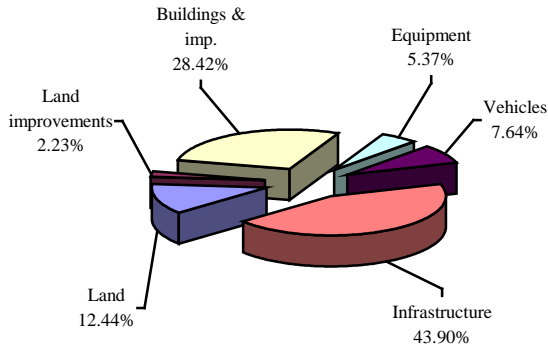
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,708,840	\$ 945,240	\$ 547,386	\$ -	\$ 2,256,226	\$ 945,240
Land improvements	305,921	301,954	-	-	305,921	301,954
Buildings and improvements	3,904,178	4,025,749	-	-	3,904,178	4,025,749
Equipment	737,283	821,002	198,862	193,474	936,145	1,014,476
Vehicles	1,049,239	936,649	172,008	198,911	1,221,247	1,135,560
Infrastructure	6,031,283	5,603,213	5,328,125	5,376,017	11,359,408	10,979,230
<b>Totals</b>	<b>\$ 13,736,744</b>	<b>\$ 12,633,807</b>	<b>\$ 6,246,381</b>	<b>\$ 5,768,402</b>	<b>\$ 19,983,125</b>	<b>\$ 18,402,209</b>

**CITY OF STREETSBORO, OHIO**

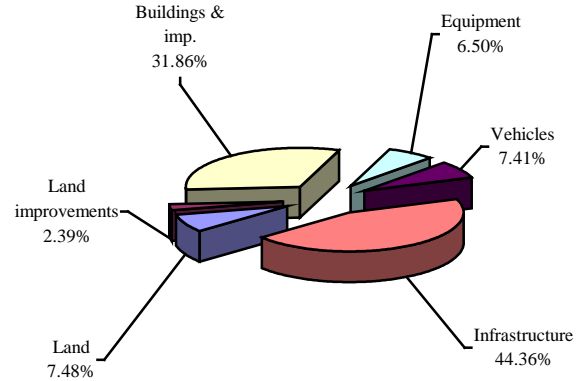
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

The following graphs show the breakdown of governmental capital assets by category for 2011 and 2010.

**Capital Assets - Governmental Activities 2011**



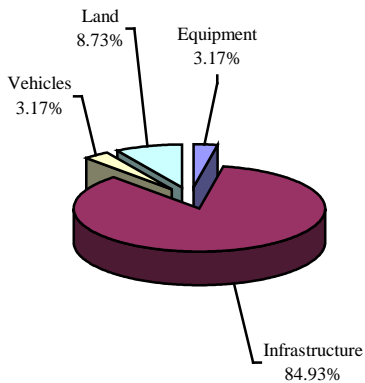
**Capital Assets - Governmental Activities 2010**



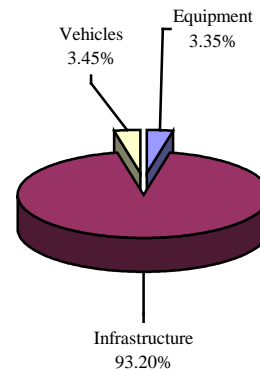
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The City only began reporting infrastructure in fiscal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

The following graphs show the breakdown of business-type capital assets by category for 2011 and 2010.

**Capital Assets - Business-Type Activities 2011**



**Capital Assets - Business-Type Activities 2010**



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 84.93% 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.

**CITY OF STREETSBORO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2011 and 2010.

	Governmental Activities	
	2011	2010
General obligation bonds payable	\$ 2,270,000	\$ 2,550,000
Bond anticipation notes	4,300,000	-
OPWC loans	81,462	111,291
Tax incremental financing agreement	1,541,923	1,650,432
Capital lease obligation payable	607,516	520,861
Judgements payable	616,989	5,316,989
Total long-term obligations	<u>\$ 9,417,890</u>	<u>\$ 10,149,573</u>
	Business-type Activities	
	2011	2010
OWDA Loans	\$ 482,065	\$ 493,039
Capital lease obligation payable	6,684	10,715
Total long-term obligations	<u>\$ 488,749</u>	<u>\$ 503,754</u>

See Note 13 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 2012:

The City has an unemployment rate currently of 9.2% compared to the 8.1% state average and the 8.5% 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 2012 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. Mitch Michalec, Director of Finance, City of Streetsboro, 9184 State Route 43, Streetsboro, Ohio 44241.

**BASIC  
FINANCIAL STATEMENTS**

**CITY OF STREETSBORO, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 5,056,124	\$ 2,448,722	\$ 7,504,846
Receivables (net of allowances for uncollectibles):			
Income taxes . . . . .	2,998,858	-	2,998,858
Real and other taxes . . . . .	1,275,710	-	1,275,710
Accounts . . . . .	322,203	464,021	786,224
Special assessments . . . . .	89,703	764,742	854,445
Due from other governments. . . . .	604,008	-	604,008
Prepayments . . . . .	137,530	22,630	160,160
Materials and supplies inventory. . . . .	42,928	-	42,928
Loans receivable . . . . .	73,909	-	73,909
Unamortized bond issue costs . . . . .	87,855	-	87,855
Capital assets:			
Land . . . . .	1,708,840	547,386	2,256,226
Depreciable capital assets, net . . . . .	12,027,904	5,698,995	17,726,899
Total capital assets, net . . . . .	13,736,744	6,246,381	19,983,125
<b>Total assets . . . . .</b>	<b>24,425,572</b>	<b>9,946,496</b>	<b>34,372,068</b>
<b>Liabilities:</b>			
Accounts payable. . . . .	136,884	2,972	139,856
Accrued wages and benefits payable . . . . .	135,776	9,985	145,761
Due to other governments . . . . .	173,634	185,692	359,326
Unearned revenue . . . . .	1,168,329	-	1,168,329
Accrued interest payable . . . . .	3,749	-	3,749
Pension obligation payable. . . . .	175,117	6,324	181,441
Long-term liabilities:			
Due within one year . . . . .	5,194,558	23,467	5,218,025
Due in more than one year . . . . .	4,527,048	492,698	5,019,746
<b>Total liabilities . . . . .</b>	<b>11,515,095</b>	<b>721,138</b>	<b>12,236,233</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	10,208,014	5,757,632	15,965,646
Restricted for:			
Capital projects . . . . .	2,117,042	-	2,117,042
Debt service . . . . .	637,542	-	637,542
Transportation projects . . . . .	610,418	-	610,418
Community development programs . . . . .	553,781	-	553,781
Recreation . . . . .	106,408	-	106,408
Cemetery . . . . .	84,465	-	84,465
Convention and visitor's bureau . . . . .	39,200	-	39,200
Police and fire departments . . . . .	226,179	-	226,179
Other purposes. . . . .	25,705	-	25,705
Unrestricted (deficit). . . . .	(1,698,277)	3,467,726	1,769,449
<b>Total net assets. . . . .</b>	<b>\$ 12,910,477</b>	<b>\$ 9,225,358</b>	<b>\$ 22,135,835</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government . . . . .	\$ 3,034,694	\$ 571,328	\$ -	\$ 763,600
Security of persons and property . . . . .	6,220,906	519,945	16,132	-
Public health and welfare . . . . .	34,015	22,135	-	-
Transportation. . . . .	1,270,684	-	851,483	-
Community environment . . . . .	776,292	287,781	-	-
Leisure time activity. . . . .	589,581	100,795	-	-
Economic development . . . . .	300	-	-	-
Utility services . . . . .	963,846	12,003	-	-
Interest and fiscal charges. . . . .	165,028	-	-	-
Total governmental activities . . . . .	<u>13,055,346</u>	<u>1,513,987</u>	<u>867,615</u>	<u>763,600</u>
<b>Business-type activities:</b>				
Water . . . . .	<u>2,480,189</u>	<u>3,527,188</u>	<u>-</u>	<u>-</u>
Total business-type activities . . . . .	<u>2,480,189</u>	<u>3,527,188</u>	<u>-</u>	<u>-</u>
Total primary government. . . . .	<u>\$ 15,535,535</u>	<u>\$ 5,041,175</u>	<u>\$ 867,615</u>	<u>\$ 763,600</u>

**General revenues:**

- Property taxes levied for:
  - General purposes . . . . .
  - Debt service. . . . .
  - Police pension. . . . .
  - Convention and visitors. . . . .
- Income taxes levied for:
  - General purposes . . . . .
  - Debt service . . . . .
  - 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>
\$ (1,699,766)	\$ -	\$ (1,699,766)
(5,684,829)	-	(5,684,829)
(11,880)	-	(11,880)
(419,201)	-	(419,201)
(488,511)	-	(488,511)
(488,786)	-	(488,786)
(300)	-	(300)
(951,843)	-	(951,843)
(165,028)	-	(165,028)
(9,910,144)	-	(9,910,144)
-	1,046,999	1,046,999
-	1,046,999	1,046,999
(9,910,144)	1,046,999	(8,863,145)
758,425	-	758,425
278,052	-	278,052
119,167	-	119,167
125,437	-	125,437
7,390,701	-	7,390,701
259,295	-	259,295
1,715,617	-	1,715,617
372,590	-	372,590
497,143	-	497,143
8,804	1,173	9,977
71,582	12,065	83,647
11,596,813	13,238	11,610,051
(21,679)	21,679	-
1,664,990	1,081,916	2,746,906
11,245,487	8,143,442	19,388,929
\$ 12,910,477	\$ 9,225,358	\$ 22,135,835

**CITY OF STREETSBORO, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 1,952,836	\$ 782,421	\$ 2,320,867	\$ 5,056,124
Receivables (net of allowances for uncollectibles):				
Income taxes . . . . .	2,339,109	599,772	59,977	2,998,858
Real and other taxes . . . . .	838,796	-	436,914	1,275,710
Accounts . . . . .	171,143	-	151,060	322,203
Special assessments . . . . .	-	-	89,703	89,703
Due from other governments. . . . .	207,907	-	396,101	604,008
Prepayments . . . . .	128,320	-	9,210	137,530
Materials and supplies inventory . . . . .	35,848	-	7,080	42,928
Loans receivable. . . . .	-	-	73,909	73,909
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets. . . . .	<u>\$ 5,673,959</u>	<u>\$ 1,382,193</u>	<u>\$ 3,544,821</u>	<u>\$ 10,600,973</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 75,077	\$ 35,895	\$ 25,912	\$ 136,884
Accrued wages and benefits payable . . . . .	122,216	-	13,560	135,776
Due to other governments . . . . .	173,438	-	196	173,634
Pension obligation payable . . . . .	144,822	-	30,295	175,117
Deferred revenue . . . . .	1,318,007	267,069	533,337	2,118,413
Unearned revenue . . . . .	765,456	-	402,873	1,168,329
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities . . . . .	<u>2,599,016</u>	<u>302,964</u>	<u>1,006,173</u>	<u>3,908,153</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	164,168	-	16,290	180,458
Restricted. . . . .	-	-	1,756,997	1,756,997
Committed . . . . .	76,963	1,079,229	765,361	1,921,553
Assigned . . . . .	557,660	-	-	557,660
Unassigned . . . . .	2,276,152	-	-	2,276,152
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances. . . . .	<u>3,074,943</u>	<u>1,079,229</u>	<u>2,538,648</u>	<u>6,692,820</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances . . . . .	<u>\$ 5,673,959</u>	<u>\$ 1,382,193</u>	<u>\$ 3,544,821</u>	<u>\$ 10,600,973</u>

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, 2011

<b>Total governmental fund balances</b>	\$	6,692,820
<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.		13,736,744
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Real and other taxes receivable	\$ 75,881	
Income taxes receivable	1,335,345	
Accounts receivable	215,366	
Special assessments receivable	89,703	
Due from other governments	402,118	
Total	402,118	2,118,413
On the statement of net assets interest is accrued on outstanding bonds payable, whereas in governmental funds, interest is accrued when due.		(3,749)
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.		87,855
Unamortized deferred charges on refundings are not recognized in governmental funds.		58,922
Unamortized premiums on bond issuance are not recognized in governmental funds.		(11,685)
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	(2,270,000)	
Bond anticipation notes payable	(4,300,000)	
OPWC loans	(81,462)	
Tax incremental financing agreement	(1,541,923)	
Capital lease payable	(607,516)	
Judgements payable	(616,989)	
Compensated absences	(350,953)	
Total	(9,768,843)	(9,768,843)
<b>Net assets of governmental activities</b>	<b>\$</b>	<b>12,910,477</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 8,107,569	\$ 1,844,197	\$ 232,588	\$ 10,184,354
Property and other taxes. . . . .	1,127,502	-	520,807	1,648,309
Charges for services. . . . .	207,101	-	375,173	582,274
Licenses and permits . . . . .	414,285	-	-	414,285
Fines and forfeitures . . . . .	110,293	-	4,376	114,669
Intergovernmental. . . . .	430,626	-	955,730	1,386,356
Special assessments . . . . .	-	-	134,985	134,985
Investment income. . . . .	2,735	-	6,069	8,804
Rental income . . . . .	9,150	-	330	9,480
Contributions and donations. . . . .	-	-	10,000	10,000
Other. . . . .	312,247	-	61,252	373,499
Total revenues . . . . .	<u>10,721,508</u>	<u>1,844,197</u>	<u>2,301,310</u>	<u>14,867,015</u>
<b>Expenditures:</b>				
Current:				
General government. . . . .	7,396,870	-	133,163	7,530,033
Security of persons and property . . . . .	5,719,405	-	132,385	5,851,790
Public health and welfare . . . . .	-	-	44,184	44,184
Transportation. . . . .	-	-	710,066	710,066
Community environment . . . . .	741,205	-	-	741,205
Leisure time activity. . . . .	440,649	-	106,225	546,874
Economic development . . . . .	-	-	300	300
Utility services. . . . .	824,768	-	-	824,768
Capital outlay . . . . .	-	1,522,049	63,859	1,585,908
Debt service:				
Principal retirement . . . . .	-	360,111	414,563	774,674
Interest and fiscal charges. . . . .	-	23,717	124,713	148,430
Total expenditures. . . . .	<u>15,122,897</u>	<u>1,905,877</u>	<u>1,729,458</u>	<u>18,758,232</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(4,401,389)</u>	<u>(61,680)</u>	<u>571,852</u>	<u>(3,891,217)</u>
<b>Other financing sources (uses):</b>				
Note issuance . . . . .	4,300,000	-	-	4,300,000
Capital lease transaction. . . . .	-	342,991	-	342,991
Transfers in . . . . .	-	-	76,000	76,000
Transfers (out). . . . .	(76,000)	-	(21,679)	(97,679)
Total other financing sources (uses) . . . . .	<u>4,224,000</u>	<u>342,991</u>	<u>54,321</u>	<u>4,621,312</u>
Net change in fund balances. . . . .	(177,389)	281,311	626,173	730,095
<b>Fund balances at beginning of year . . . . .</b>	<u>3,252,332</u>	<u>797,918</u>	<u>1,912,475</u>	<u>5,962,725</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,074,943</u>	<u>\$ 1,079,229</u>	<u>\$ 2,538,648</u>	<u>\$ 6,692,820</u>

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, 2011

**Net change in fund balances - total governmental funds** \$ 730,095

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

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

Capital asset additions	\$ 1,980,251	
Current year depreciation	(877,314)	
<b>Total</b>		<b>1,102,937</b>

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

Property taxes	5,362	
Municipal income taxes taxes	(818,741)	
Charges for services	(27,147)	
Special assessments	(26,476)	
Intergovernmental	(21,598)	
<b>Total</b>		<b>(888,600)</b>

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.

(342,991)

Proceeds of notess are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.

(4,300,000)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being recorded in the statement of activities:

Accrued interest	466	
Amortization of deferred charges	(7,443)	
Amortization of bond premium	1,476	
Amortization of bond issuance costs	(11,097)	
<b>Total</b>		<b>(16,598)</b>

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	280,000	
Tax incremental financing agreement	108,509	
Capital lease obligations	256,336	
Judgements payable	4,700,000	
Long-term loans	29,829	
<b>Total</b>		<b>5,374,674</b>

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.

5,473

**Change in net assets of governmental activities** \$ 1,664,990

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, 2011

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 8,034,433	\$ 7,963,065	\$ 8,060,899	97,834
Property and other taxes . . . . .	1,175,320	1,164,880	1,179,192	14,312
Charges for services. . . . .	211,758	209,876	212,455	2,579
Licenses and permits . . . . .	403,046	399,466	404,374	4,908
Fines and forfeitures . . . . .	107,439	106,485	107,793	1,308
Intergovernmental. . . . .	411,884	408,226	413,241	5,015
Investment income . . . . .	2,726	2,702	2,735	33
Rental income. . . . .	9,120	9,039	9,150	111
Other . . . . .	257,458	255,171	258,306	3,135
<b>Total revenues. . . . .</b>	<u>10,613,184</u>	<u>10,518,910</u>	<u>10,648,145</u>	<u>129,235</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,716,448	7,870,995	7,488,017	382,978
Security of persons and property . . . . .	6,444,570	6,557,355	5,910,057	647,298
Community environment . . . . .	876,217	945,135	752,855	192,280
Leisure time activity . . . . .	471,700	476,586	450,258	26,328
Utility services . . . . .	932,744	1,070,441	864,241	206,200
Debt service:				
Principal retirement. . . . .	-	300,000	300,000	-
<b>Total expenditures . . . . .</b>	<u>11,441,679</u>	<u>17,220,512</u>	<u>15,765,428</u>	<u>1,455,084</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(828,495)</u>	<u>(6,701,602)</u>	<u>(5,117,283)</u>	<u>1,584,319</u>
<b>Other financing sources (uses):</b>				
Note issuance . . . . .	4,584,897	4,544,171	4,600,000	55,829
Transfers (out). . . . .	-	(76,000)	(76,000)	-
<b>Total other financing sources (uses). . . . .</b>	<u>4,584,897</u>	<u>4,468,171</u>	<u>4,524,000</u>	<u>55,829</u>
Net change in fund balances . . . . .	3,756,402	(2,233,431)	(593,283)	1,640,148
<b>Fund balances at beginning of year . . . . .</b>	1,964,891	1,964,891	1,964,891	-
<b>Prior year encumbrances appropriated . . . . .</b>	339,358	339,358	339,358	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 6,060,651</u>	<u>\$ 70,818</u>	<u>\$ 1,710,966</u>	<u>\$ 1,640,148</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 DECEMBER 31, 2011

	<b>Business-Type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>Water</b>	
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . .	\$	2,448,722
Receivables (net of allowance for uncollectibles):		
Accounts . . . . .		464,021
Special assessments . . . . .		764,742
Prepayments . . . . .		22,630
Total current assets . . . . .		<u>3,700,115</u>
Noncurrent assets:		
Capital assets:		
Land . . . . .		547,386
Depreciable capital assets, net . . . . .		5,698,995
Total capital assets, net . . . . .		<u>6,246,381</u>
Total assets . . . . .		<u>9,946,496</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable . . . . .		2,972
Accrued wages and benefits . . . . .		9,985
Compensated absences . . . . .		7,571
Due to other governments . . . . .		185,692
Pension obligation payable . . . . .		6,324
Capital lease obligations . . . . .		4,366
OWDA loans payable . . . . .		11,530
Total current liabilities . . . . .		<u>228,440</u>
Long-term liabilities:		
Compensated absences . . . . .		19,845
Capital lease obligations . . . . .		2,318
OWDA loans payable . . . . .		470,535
Total long-term liabilities . . . . .		<u>492,698</u>
Total liabilities . . . . .		<u>721,138</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt . . . .		5,757,632
Unrestricted . . . . .		3,467,726
Total net assets . . . . .	\$	<u>9,225,358</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, 2011

	<b>Business-Type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>Water</b>	
<b>Operating revenues:</b>		
Charges for services . . . . .	\$	2,631,773
Other operating revenues . . . . .		12,065
Special assessments . . . . .		895,415
Total operating revenues. . . . .		<u>3,539,253</u>
<b>Operating expenses:</b>		
Personal services . . . . .		665,009
Contract services . . . . .		1,420,821
Materials and supplies. . . . .		73,729
Depreciation. . . . .		307,973
Other . . . . .		1,209
Total operating expenses . . . . .		<u>2,468,741</u>
Operating income . . . . .		<u>1,070,512</u>
<b>Nonoperating revenues (expenses):</b>		
Interest revenue . . . . .		1,173
Interest expense and fiscal charges . . . . .		(11,448)
Total nonoperating revenues (expenses). . . . .		<u>(10,275)</u>
Income before transfers . . . . .		1,060,237
Transfer in . . . . .		<u>21,679</u>
Change in net assets . . . . .		1,081,916
<b>Net assets at beginning of year. . . . .</b>		<u>8,143,442</u>
<b>Net assets at end of year . . . . .</b>	\$	<u><u>9,225,358</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>Business-Type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>Water</b>	
<b>Cash flows from operating activities:</b>		
Cash received from customers . . . . .	\$	2,616,291
Cash received from special assessments . . . . .		130,673
Cash received from other operations . . . . .		12,065
Cash payments for personal services. . . . .		(661,289)
Cash payments for contractual services . . . . .		(1,308,009)
Cash payments for materials and supplies . . . . .		(71,984)
Cash payments for other expenses . . . . .		(1,727)
		<hr/>
Net cash provided by operating activities . . . . .		716,020
		<hr/>
<b>Cash flows from noncapital financing activities:</b>		
Cash received from transfers in . . . . .		21,679
		<hr/>
Net cash provided by noncapital financing activities. . . . .		21,679
		<hr/>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets . . . . .		(785,952)
Principal retirement on OWDA loans . . . . .		(10,974)
Principal retirement on capital leases . . . . .		(4,031)
Interest and fiscal charges . . . . .		(11,448)
		<hr/>
Net cash used in capital and related financing activities. . . . .		(812,405)
		<hr/>
<b>Cash flows from investing activities:</b>		
Interest received . . . . .		1,173
		<hr/>
Net cash provided by investing activities . . . . .		1,173
		<hr/>
Net decrease in cash and cash equivalents . . . . .		(73,533)
		<hr/>
<b>Cash and cash equivalents at beginning of year . . . . .</b>		2,522,255
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$</b>	<b>2,448,722</b>
		<hr/> <hr/>

- - Continued

**CITY OF STREETSBORO, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<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 . . . . .	\$	1,070,512
Adjustments:		
Depreciation. . . . .		307,973
Changes in assets and liabilities:		
Increase in accounts receivable . . . . .		(15,482)
Increase in special assessments receivable . . . . .		(764,742)
Increase in prepayments . . . . .		(17,952)
Increase in accounts payable . . . . .		39
Increase in accrued wages and benefits . . . . .		672
Increase in intergovernmental payable . . . . .		122,010
Increase in compensated absences payable . . . . .		14,106
Decrease in pension obligation payable . . . . .		(1,116)
Net cash provided by operating activities . . . . .	\$	<u>716,020</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF STREETSBORO, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2011

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 93,116
Prepayments . . . . .	<u>624</u>
Total assets . . . . .	<u>\$ 93,740</u>
<b>Liabilities:</b>	
Undistributed monies . . . . .	<u>\$ 93,740</u>
Total liabilities . . . . .	<u>\$ 93,740</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

#### 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) guidance 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 guidance 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 this FASB guidance. 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, 2011

#### 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 fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Capital improvement fund - The capital improvement fund accounts for a portion of the City's income tax receipts and grants used for the acquisition, construction, or improvement of capital assets.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**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.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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 fund - 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, 2011

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

*Revenues - Exchange and Nonexchange Transactions* - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current 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, 2011, but which were levied to finance year 2012 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, 2011, are recorded as deferred revenue on the governmental fund financial statements.

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, 2011

**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 2011.

**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, 2011.

**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, 2011

#### 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 2011, 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, 2011.

Investment income is distributed to the funds according to charter and statutory requirements. Interest revenue credited to the general fund during 2011 amounted to \$2,735.

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, 2011

**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. 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, 2011 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, 2011

#### **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, 2011, 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.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

**O. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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.

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

##### 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 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 item occurred during 2011.

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### Change in Accounting Principles

For 2011, the City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the City.

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

#### 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.

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

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.

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

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.

#### **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, 2011, the carrying amount of all City deposits was \$2,121,029 exclusive of the \$1,060,000 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, 2011, \$2,422,068 of the City's bank balance of \$3,029,769 was exposed to custodial risk as discussed below, while \$607,701 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.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

**C. Investments**

As of December 31, 2011, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or Less</u>
Repurchase agreements	\$ 1,060,000	\$ 1,060,000
STAR Ohio	<u>4,416,433</u>	<u>4,416,433</u>
Total	<u>\$ 5,476,433</u>	<u>\$ 5,476,433</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 AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City has no investment policy dealing with credit risk.

*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 \$1,060,000 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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 1,060,000	19.36
STAR Ohio	<u>4,416,433</u>	<u>80.64</u>
Total	<u>\$ 5,476,433</u>	<u>100.00</u>

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

**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, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,121,029
Investments	5,476,433
Cash on hand	500
Total	<u>\$ 7,597,962</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,056,124
Business type activities	2,448,722
Agency fund	93,116
Total	<u>\$ 7,597,962</u>

**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2011, consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor capital projects fund	\$ 76,000
 <u>Transfers from nonmajor governmental funds to:</u>	
Water fund	<u>21,679</u>
Total	<u>\$ 97,679</u>

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 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. Transfers between the governmental funds and business-type activities appear as transfers on the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.



**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility 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. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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 property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2011 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 2011 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, 2011 was \$2.90 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2011 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 265,639,060
Commercial/industrial/mineral	164,498,480

Public utility

Real	22,360
Personal	<u>7,108,140</u>

Total assessed value	<u><u>\$ 437,268,040</u></u>
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**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 7 - LOCAL INCOME TAX**

The City levies and collects an income tax of 2.0% on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a 100% tax credit of 2% 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 and capital improvement funds. Total income tax revenues were \$10,184,354 in 2011 on the modified accrual fund financial statements.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2011, 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, 2011, as well as intended to finance 2011 operations.

A summary of the intergovernmental receivables follows:

<b>Governmental activities:</b>	<u>Amounts</u>
Local government state support	\$ 156,805
Motor vehicle and gas tax	358,474
Permissive license tax	18,544
Estate tax	12,196
Homestead and rollback	53,661
Other	<u>4,328</u>
Total	<u>\$ 604,008</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, water line installation 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 Ohio Public Works Commission (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, 2011

**NOTE 10 - CAPITAL ASSETS**

- A. Capital asset activity for governmental activities for the year ended December 31, 2011, was as follows:

<b>Governmental activities:</b>	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 945,240	\$ 763,600	\$ -	\$ 1,708,840
Total capital assets, not being depreciated	<u>945,240</u>	<u>763,600</u>	<u>-</u>	<u>1,708,840</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,015,619	45,016	-	1,060,635
Buildings and improvements	5,881,127	-	-	5,881,127
Equipment	2,900,189	83,483	-	2,983,672
Vehicles	3,584,399	342,873	-	3,927,272
Infrastructure	<u>7,175,811</u>	<u>745,279</u>	<u>-</u>	<u>7,921,090</u>
Total capital assets, being depreciated	<u>20,557,145</u>	<u>1,216,651</u>	<u>-</u>	<u>21,773,796</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(713,665)	(41,049)	-	(754,714)
Buildings and improvements	(1,855,378)	(121,571)	-	(1,976,949)
Equipment	(2,079,187)	(167,202)	-	(2,246,389)
Vehicles	(2,647,750)	(230,283)	-	(2,878,033)
Infrastructure	<u>(1,572,598)</u>	<u>(317,209)</u>	<u>-</u>	<u>(1,889,807)</u>
Total accumulated depreciation	<u>(8,868,578)</u>	<u>(877,314)</u>	<u>-</u>	<u>(9,745,892)</u>
Total capital assets, being depreciated, net	<u>11,688,567</u>	<u>339,337</u>	<u>-</u>	<u>12,027,904</u>
Governmental activities capital assets, net	<u>\$ 12,633,807</u>	<u>\$ 1,102,937</u>	<u>\$ -</u>	<u>\$ 13,736,744</u>

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

- B.** Capital asset activity for business-type activities for the year ended December 31, 2011, was as follows:

<b>Business-type activities:</b>	<u>Balance</u> 12/31/10	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/11
<i>Capital assets, not being depreciated:</i>				
Land	\$ -	\$ 547,386	\$ -	\$ 547,386
Total capital assets, not being depreciated:	<u>-</u>	<u>547,386</u>	<u>-</u>	<u>547,386</u>
<i>Capital assets, being depreciated:</i>				
Machinery and equipment	726,934	35,976	-	762,910
Vehicles	289,039	-	-	289,039
Sewer/water lines	<u>10,079,640</u>	<u>202,590</u>	<u>-</u>	<u>10,282,230</u>
Total capital assets, being depreciated	<u>11,095,613</u>	<u>238,566</u>	<u>-</u>	<u>11,334,179</u>
<i>Less: accumulated depreciation:</i>				
Machinery and equipment	(533,460)	(30,588)	-	(564,048)
Vehicles	(90,128)	(26,903)	-	(117,031)
Sewer/water lines	<u>(4,703,623)</u>	<u>(250,482)</u>	<u>-</u>	<u>(4,954,105)</u>
Total accumulated depreciation	<u>(5,327,211)</u>	<u>(307,973)</u>	<u>-</u>	<u>(5,635,184)</u>
Business-type activities capital assets, net	<u>\$ 5,768,402</u>	<u>\$ 477,979</u>	<u>\$ -</u>	<u>\$ 6,246,381</u>

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

<b>Governmental activities:</b>	
General government	\$ 76,653
Security of persons and property	316,629
Public health and welfare	3,502
Transportation	295,540
Community environment	25,486
Leisure time activity	36,031
Utility services	<u>123,473</u>
Total depreciation expense - governmental activities	<u>\$ 877,314</u>
<b>Business-type activities:</b>	
Water	<u>\$ 307,973</u>

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

In the current year, the City entered into a capital lease agreement for the acquisition of vehicles. In prior years, the City had entered into capital lease agreements for the acquisition of an asphalt grinder, a wheel loader, copiers, office equipment, 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, 2011, the capital assets under capital lease obligation have been capitalized in the amount of \$2,063,968 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, 2011 was \$998,195 and \$68,666 for governmental activities and business-type activities, respectively, which leaves book values of \$1,065,773 and \$64,673 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 \$607,516 and \$6,684, respectively. In 2011, principal and interest payments for the governmental activities capital lease obligations totaled \$256,336 and \$30,543, respectively. These payments were made from the capital improvements fund (principal \$230,282) and from the street maintenance and repair nonmajor governmental fund (principal \$26,054). 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 2011, principal and interest payments for the business-type activities capital lease obligations totaled \$4,031 and \$743, 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 following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2011:

Year Ending December 31,	Governmental Activities	Business-Type Activities	Total
2012	\$ 268,969	\$ 4,775	\$ 273,744
2013	201,431	2,389	203,820
2014	129,012	-	129,012
2015	63,250	-	63,250
Total future minimum lease payments	662,662	7,164	669,826
Less: amount representing interest	(55,146)	(480)	(55,626)
Present value of future minimum lease payments	<u>\$ 607,516</u>	<u>\$ 6,684</u>	<u>\$ 614,200</u>

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 12 – SHORT-TERM NOTES PAYABLE**

<b>Governmental activities:</b>	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/11</u>
Bond anticipation notes - 1.4%	\$ -	\$ 300,000	\$ (300,000)	\$ -

All the notes are backed by the full faith and credit of the City of Streetsboro. The note liability is reflected in the fund which received the proceeds.

On January 26, 2011 the city issued \$4,600,000 in bond anticipation notes. The 2011 bond anticipation notes have a maturity of January 26, 2012. \$4,300,000 of the 2011 bond anticipation notes have been presented as a long-term liability. The remaining \$300,000 has been reported as fund activity. The note has an interest rate of 1.40%.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 13 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities**

During 2011, the following changes occurred in the City's governmental activities long-term obligations:

<b>Governmental activities:</b>	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/11</u>	<u>Due in</u>
					<u>One Year</u>
<u>General obligation bonds</u>					
2010 various purpose refunding					
bonds - 1.50% to 2.75%	\$ 2,550,000	\$ -	\$ (280,000)	\$ 2,270,000	\$ 285,000
Total general obligation bonds	<u>2,550,000</u>	<u>-</u>	<u>(280,000)</u>	<u>2,270,000</u>	<u>285,000</u>
<u>Notes</u>					
2011 Bond anticipation notes	-	4,300,000	-	4,300,000	4,300,000
Total bond anticipation notes	<u>-</u>	<u>4,300,000</u>	<u>-</u>	<u>4,300,000</u>	<u>4,300,000</u>
<u>OPWC loans</u>					
St. Rt. 14 resurfacing, due 2011- 0%	10,000	-	(10,000)	-	-
Aurora, Hudson and Wellman, due 2017 - 0%	39,202	-	(6,031)	33,171	6,031
St. Rt. 303, Superior/Mt. Vernon, due 2015 - 0%	62,089	-	(13,798)	48,291	13,798
Total OPWC loans	<u>111,291</u>	<u>-</u>	<u>(29,829)</u>	<u>81,462</u>	<u>19,829</u>
<u>Other long-term obligations</u>					
Tax incremental financing agreement	1,650,432	-	(108,509)	1,541,923	103,000
Capital lease obligations	520,861	342,991	(256,336)	607,516	240,215
Judgments payable	5,316,989	-	(4,700,000)	616,989	130,000
Compensated absences	362,876	122,251	(134,174)	350,953	116,514
Total long-term obligations	<u>7,851,158</u>	<u>465,242</u>	<u>(5,199,019)</u>	<u>3,117,381</u>	<u>589,729</u>
Total governmental activities					
long-term obligations	<u>\$ 10,512,449</u>	<u>\$ 4,765,242</u>	<u>\$ (5,508,848)</u>	9,768,843	<u>\$ 5,194,558</u>
				Add: Unamortized premium on bond issue	11,685
				Less: Unamortized deferred charges on refunding	<u>(58,922)</u>
				Total reported on statement of net assets	<u>\$ 9,721,606</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 (a nonmajor governmental fund).

On October 12, 2010, the City defeased the 1999 various purpose bonds by placing the proceeds of the 2010 various purpose refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2011, \$2,220,000 of this debt was outstanding.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

2010 various purpose refunding bonds - On October 12, 2010, the County issued general obligation bonds (2010 various purpose refunding bonds) to advance refund the callable portion of the 1999 various purpose bonds (callable principal \$2,725,000). The issuance proceeds of \$2,792,605 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt.

The refunding issue is comprised of serial bonds, par value \$2,880,000. The bonds bear interest rates ranging from 1.50% to 2.75% and mature on December 1, 2019. These bonds are general obligation bonds for which the full faith and credit of the County is pledged for repayment.

The reacquisition price exceeded the net carrying amount of the old debt by \$67,605. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

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.

Judgments payable - 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 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 order of which it was not notified. The balance due to ODOT is \$616,989. ODOT has agreed to a 0% interest repayment schedule with the first payment due April 1, 2010 and the final payment due April 1, 2016.

During 2010, the City was party to a lawsuit due to the City denying a developer permission to develop land that was owned by the developer in prior years. The City determined there was potential for a verdict against the City that could exceed \$9,000,000. The City agreed to a settlement of \$4,600,000. The City issued bond anticipation notes in January 2011 to finance this liability and used the proceeds of the notes to pay the judgment in full.

2011 bond anticipation notes - On January 26, 2011, the City issued \$4,600,000 par value bond anticipation notes in order to finance a portion of the judgments payable. The City made a \$300,000 principal payment during 2011. This portion of the notes was recorded as a part of the fund activity within the general fund and not included on the schedule of long term liabilities. The notes bear an interest rate of 1.4% and mature on January 26, 2012.



**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

*Capital lease obligations* - See Note 11 for lease details.

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>
2012	\$ 285,000	\$ 42,843	\$ 327,843
2013	295,000	38,494	333,494
2014	305,000	33,232	338,232
2015	305,000	27,132	332,132
2016	310,000	21,369	331,369
2017 - 2019	<u>770,000</u>	<u>29,958</u>	<u>799,958</u>
Total	<u>\$ 2,270,000</u>	<u>\$ 193,028</u>	<u>\$ 2,463,028</u>

<u>Year</u>	<u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 19,829	\$ -	\$ 19,829
2013	19,831	-	19,831
2014	19,829	-	19,829
2015	12,927	-	12,927
2016	6,032	-	6,032
2017	<u>3,014</u>	<u>-</u>	<u>3,014</u>
Total	<u>\$ 81,462</u>	<u>\$ -</u>	<u>\$ 81,462</u>

<u>Year</u>	<u>Judgments Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 130,000	\$ -	\$ 130,000
2013	130,000	-	130,000
2014	130,000	-	130,000
2015	130,000	-	130,000
2016	<u>96,989</u>	<u>-</u>	<u>96,989</u>
Total	<u>\$ 616,989</u>	<u>\$ -</u>	<u>\$ 616,989</u>

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Business-Type Activities**

The following changes occurred in the City's business-type long-term obligations during 2011:

<b>Business-type activities:</b>	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/10</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>OWDA loan</u>					
Briar Root Manor Waterline, due 2034 - 5.01%	\$ 493,039	\$ -	\$ (10,974)	\$ 482,065	\$ 11,530
Total OWDA loans	<u>493,039</u>	<u>-</u>	<u>(10,974)</u>	<u>482,065</u>	<u>11,530</u>
<u>Other long-term obligations</u>					
Compensated absences	13,310	18,104	(3,998)	27,416	7,571
Capital lease obligations	<u>10,715</u>	<u>-</u>	<u>(4,031)</u>	<u>6,684</u>	<u>4,366</u>
Total other long-term obligations	<u>24,025</u>	<u>18,104</u>	<u>(8,029)</u>	<u>34,100</u>	<u>11,937</u>
Total business-type long term obligations	<u>\$ 517,064</u>	<u>\$ 18,104</u>	<u>\$ (19,003)</u>	<u>\$ 516,165</u>	<u>\$ 23,467</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, 2011, the City has outstanding borrowings of \$482,065 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.

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.

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

<u>Year</u>	<u>OWDA Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 11,530	\$ 24,009	\$ 35,539
2013	12,115	23,424	35,539
2014	12,730	22,809	35,539
2015	13,376	22,163	35,539
2016	14,054	21,485	35,539
2017 - 2021	81,715	95,980	177,695
2022 - 2026	104,654	73,041	177,695
2027 - 2031	134,031	43,664	177,695
2032 - 2034	<u>97,860</u>	<u>8,757</u>	<u>106,617</u>
Total	<u>\$ 482,065</u>	<u>\$ 335,332</u>	<u>\$ 817,397</u>

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

**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, 2011, the City's total debt margin was \$38,836,756 and the unvoted debt margin was \$24,049,742.

**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 2011, the City contracted for the following insurance coverage.

Type of Coverage	Coverage	Deductible
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 2010 and no insurance settlement has exceeded insurance coverage during the last three years.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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.

**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.

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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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 2011, member and contribution rates were consistent across all three plans. The 2011 member contribution rates were 10.00% for members. The City's contribution rate for 2011 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$239,058, \$267,932, and \$239,358, respectively; 89.46% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$9,524 made by the City and \$6,803 made by the plan members.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**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 2011, 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 \$205,129 and \$198,760 for the year ended December 31, 2011, \$221,696 and \$201,678 for the year ended December 31, 2010, and \$202,796 and \$193,676, for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 76.54% has been contributed for police and 77.04% has been contributed for firefighters for 2011.

**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 visiting <https://www.opers.org/investments/cafr.shtml>, 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 administered in accordance with, Internal Revenue Code Section 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, 2011

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll. 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 portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

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, 2011, 2010, and 2009 were \$181,924, \$152,746, and \$172,641, respectively; 89.46% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

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 for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases 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.

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

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, 2011, 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.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$108,597 and \$77,775 for the year ended December 31, 2011, \$117,369 and \$78,917 for the year ended December 31, 2010, and \$107,362 and \$75,786, for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 76.54% has been contributed for police and 77.04% has been contributed for firefighters for 2011.

**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.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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 fund</u>
Budget basis	\$ (593,283)
Net adjustment for revenue accruals	73,363
Net adjustment for expenditure accruals	400,661
Net adjustment for other sources/uses	(300,000)
Adjustment for encumbrances	<u>241,870</u>
GAAP basis	<u>\$ (177,389)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the unclaimed monies fund and termination benefits fund.



**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**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, 2011.

**B. Litigation**

The City is a party to legal proceedings seeking damages. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of the City's management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2011.

**NOTE 20 - SUBSEQUENT EVENT**

On January 26, 2012, the City issued \$4,300,000 par value bond anticipation notes in order to finance judgments payable as discussed in Note 12. The notes bear an interest rate of 1.15% and mature on January 26, 2013.

**NOTE 21 - OTHER COMMITMENTS**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 216,538
Capital improvements	367,102
Other governmental	<u>360,363</u>
Total	<u>\$ 944,003</u>

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 22 - FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 35,848	\$ -	\$ 7,080	\$ 42,928
Prepays	128,320	-	9,210	137,530
Total nonspendable	<u>164,168</u>	<u>-</u>	<u>16,290</u>	<u>180,458</u>
Restricted:				
Debt service	-	-	493,612	493,612
Capital improvements	-	-	1,113	1,113
Security of persons and property	-	-	211,862	211,862
Transportation projects	-	-	366,615	366,615
Community development projects	-	-	553,781	553,781
Cemetery	-	-	84,465	84,465
Convention and visitor's bureau	-	-	39,200	39,200
Other purposes	-	-	6,349	6,349
Total restricted	<u>-</u>	<u>-</u>	<u>1,756,997</u>	<u>1,756,997</u>
Committed:				
Capital improvements	-	1,079,229	640,162	1,719,391
General government	47,260	-	-	47,260
Security of persons and property	16,334	-	-	16,334
Community development projects	10,488	-	-	10,488
Recreation	-	-	105,843	105,843
Utility services	2,881	-	-	2,881
Other purposes	-	-	19,356	19,356
Total committed	<u>76,963</u>	<u>1,079,229</u>	<u>765,361</u>	<u>1,921,553</u>
Assigned:				
Subsequent year appropriation	418,085	-	-	418,085
General government	40,892	-	-	40,892
Security of persons and property	39,879	-	-	39,879
Community development projects	310	-	-	310
Leisure time activities	8,436	-	-	8,436
Utility services	50,058	-	-	50,058
Total assigned	<u>557,660</u>	<u>-</u>	<u>-</u>	<u>557,660</u>
Unassigned	<u>2,276,152</u>	<u>-</u>	<u>-</u>	<u>2,276,152</u>
Total fund balances	<u>\$ 3,074,943</u>	<u>\$ 1,079,229</u>	<u>\$ 2,538,648</u>	<u>\$ 6,692,820</u>



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Streetsboro  
Portage County  
9184 St. Rt. 43  
Streetsboro, Ohio 44241

To the Mayor and Members of Council:

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, (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 23, 2012, wherein we noted the City implemented Government Accounting Standard No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. 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*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 23, 2012.

We intend this report solely for the information and use of the management, City Council, and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

August 23, 2012

**CITY OF STREETSBORO  
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2010-001	Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed total estimated resources.	Yes	Finding No Longer Valid
2010-002	Ohio Revised Code Section 5705.36 requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the City Auditor that revenue to be collected will be greater or less than the amount in the last certified amended certificate.	Yes	Finding No Longer Valid
N/A	Finding for recovery against former Mayor, Thomas Wagner	Yes	Finding Repaid

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# Dave Yost • 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  
SEPTEMBER 3, 2013**