



**Auditor of State  
Betty Montgomery**



**CITY OF INDEPENDENCE  
CUYAHOGA COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Members of City Council  
City of Independence  
Cuyahoga County  
6800 Brecksville Road  
Independence, Ohio 44131

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Independence, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2004, 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, each major fund, and the aggregate remaining fund information of the City of Independence, Cuyahoga County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

September 28, 2005

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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The discussion and analysis of the City of Independence's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, the basic financial statements, and the accompanying notes to those financial statements to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Key financial highlights for 2004 are as follows:

- ❑ The City's total net assets increased by \$2,184,611 or 3.17 percent primarily as a result of an increase in capital assets.
- ❑ Total current assets decreased by \$11,062,430 or 27.22 percent compared to 2003 current assets. The decrease is largely due to the City continuing to spend down the money it had borrowed in 2003 for the Shared Use Facility and Rockside Road widening projects.
- ❑ Total current liabilities increased by \$1,397,084 or 51.64 percent from 2003, due mainly to amounts owed on the two above mentioned projects.
- ❑ The City continued construction on two of the largest projects in its history. The Rockside Road Widening Project and the Shared Use Facility. In 2003, the City borrowed \$15,000,000 for its portion of the Shared Use Facility along with the purchase of the Middle School property and borrowed \$8,800,000 for the Rockside Widening Project.
- ❑ The general fund transferred \$1,575,000 to the capital improvements fund in order to fund capital improvement projects.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements some of which focus on the City as a whole (government-wide) and some of which focus on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis of for comparison (year to year or government to government) and enhance the City's accountability.

The statement of Net Assets and Statement of Activities provides information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major 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 non-major funds presented in total in one column.

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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***Reporting the City of Independence as a Whole***

*Statement of Net Assets and the Statement of Activities*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accruals of the current year's revenues and expenses are recorded regardless of when cash is received or paid.

From the Statement of Net Assets, you can determine what the City's current financial position is by subtracting total liabilities (what the City owes) from total assets (what the City owns). Over time, increases or decreases in the City's net assets are one indicator of whether the City's financial health is improving or deteriorating. From the Statement of Activities, you can determine what the cost of governmental services are and how much of that cost is financed by taxpayers, where the City gets its money from and how it is used, whether the City is better or worse off financially and why, and will the City be able to finance services in the future. Other non-financial factors such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets to assess the overall health of the City also should be considered.

***Reporting on the Most Significant Funds of the City of Independence***

***Fund Financial Statements***

The fund financial statements, which begin on page 14, provide detailed information about the City's major funds and include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances. These statements tell how City services charged to major funds were financed in the short-term as well as what remains for future spending. For the City of Independence, the most significant governmental funds are the General Fund, Capital Improvements Fund, Street Resurfacing Fund and Oak Tree Fund.

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



**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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**The City of Independence as a Whole**

***Statement of Net Assets***

As noted earlier, the Statement of Net Assets looks at the City as a whole and can prove to be a useful indicator of the City's financial position. Table 1 provides a summary of the City's net assets for 2004 and 2003.

**Table 1**  
**Net Assets**

	Governmental Activities	
	2004	2003
<b>Assets</b>		
Current and Other Assets	\$29,582,318	\$40,644,748
Capital Assets, Net	82,855,930	69,775,285
<i>Total Assets</i>	112,438,248	110,420,033
<b>Liabilities</b>		
Current and Other Liabilities	4,102,496	2,705,412
Long Term Liabilities:		
Due Within One Year	1,297,112	1,223,120
Due in More than One Year	35,995,895	37,633,367
<i>Total Liabilities</i>	41,395,503	41,561,899
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	54,689,995	53,397,677
Restricted:		
Capital Projects	4,847,751	5,158,350
State Highway	183,949	147,633
Street Construction Maintenance and Repair	263,556	204,126
Other Purposes	306,066	162,354
Unrestricted	10,751,428	9,787,994
<i>Total Net Assets</i>	\$71,042,745	\$68,858,134

Total assets increased by \$2,018,215 which can be attributed to an increase in the City's capital assets.

Current liabilities increased by \$1,397,084 or 51.64 percent mainly due to payables for the Shared Use Facility and Rockside Road projects.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by covenants, enabling legislation, or other legal requirements, increased by \$963,434.

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
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The City continues to stress the importance of increasing its unrestricted net asset total each year.

Table 2 shows the changes in net assets for fiscal year 2004 and corresponds to the Statement of Activities. Table 2 indicates that total revenues exceeded total expenses by \$2,184,611.

**Table 2**  
**Change in Net Assets**

	Governmental Activities	
	2004	2003
<b>Revenues</b>		
Program Revenues		
Charges for Services and Sales	\$1,287,628	\$1,256,994
Operating Grants and Contributions	511,867	265,923
Capital Grants and Contributions	2,730,500	5,262,736
<i>Total Program Revenues</i>	<u>4,529,995</u>	<u>6,785,653</u>
General Revenues		
Property Taxes	2,276,757	2,537,189
Municipal Income Taxes	19,452,865	18,142,284
Grant and Entitlements, Not Restricted to Specific Programs	892,046	1,140,063
Interest	516,584	361,782
Miscellaneous	613,729	362,688
<i>Total General Revenues</i>	<u>23,751,981</u>	<u>22,544,006</u>
<i>Total Revenues</i>	<u>28,281,976</u>	<u>29,329,659</u>
<b>Program Expenses</b>		
General Government	4,985,297	4,480,669
Security of Persons and Property	8,054,485	7,606,006
Public Health and Welfare	86,338	124,341
Leisure Time Activities	2,979,761	2,823,516
Community Environment	2,413,794	2,399,740
Basic Utility Services	992,297	967,790
Transportation	5,340,467	3,380,750
Interest and Fiscal Charges	1,244,926	930,491
<i>Total Expenses</i>	<u>26,097,365</u>	<u>22,713,303</u>
<i>Increase in Net Assets</i>	2,184,611	6,616,356
<i>Net Assets Beginning of Year</i>	<u>68,858,134</u>	<u>62,241,778</u>
<i>Net Assets End of Year</i>	<u><u>\$71,042,745</u></u>	<u><u>\$68,858,134</u></u>

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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***Governmental Activities***

Several revenue sources fund our governmental activities with income tax revenue being the largest source. The City levies a municipal income tax of 2.00 percent on all income earned within the City as well as on income of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent on the income earned outside of the City and paid to another municipality. On a full accrual basis, the City received \$19,452,865 in income tax collections or 68.78 percent of total 2004 revenue. The second most significant source of revenue for 2004 is capital grants and contributions which totaled \$2,730,500, or 9.65 percent. \$1,700,000 was received from Cuyahoga County for the Rockside Widening project and \$1,030,500 was received from the State of Ohio for the resurfacing of State Route 21.

The City's strong commercial employment tax base has provided for a consistent level of withholding tax collections. This strong base has enabled the City to enjoy increased collections during economically strong periods, while at the same time maintaining fairly level collections during economic downturns. In an effort to maintain and increase the commercial tax base, the City continues the Rockside Road Widening project, which will improve the infrastructure to allow for future growth in the area. The City also has a number of road maintenance projects.

The following schedule presents a summary of governmental activity expenses and the net cost of providing these services (excluding general revenues).

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
General Government	\$4,985,297	\$4,480,669	\$4,792,759	\$4,301,999
Security of Persons and Property	8,054,485	7,606,006	7,575,438	7,141,950
Public Health and Welfare	86,338	124,341	82,375	118,230
Leisure Time Activities	2,979,761	2,823,516	2,537,011	2,398,151
Community Environment	2,413,794	2,399,740	2,304,229	2,284,207
Basic Utility Services	992,297	967,790	970,303	944,210
Transportation	5,340,467	3,380,750	2,060,329	(1,738,360)
Interest and Fiscal Charges	1,244,926	930,491	1,244,926	930,491
Total Expenses	<u>\$26,097,365</u>	<u>\$22,713,303</u>	<u>\$21,567,370</u>	<u>\$16,380,878</u>

In future years, this information will be more meaningful as prior year data will allow an assessment of whether a particular program is relying more or less on general revenues. Also, the City will be able to use the information to determine if citizens are receiving a good value in public services in return for tax dollars and user fees.

Security of Persons and Property expenses totaled \$8,054,485 or 30.86 percent of total 2004 expenses. A significant portion of these expenses can be attributed to salaries, wages and employee benefits. As of December 31, 2004, the City employed 35 full-time police officers and 24 full-time firefighters.

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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**The City's Funds**

Information about the City's government funds begins on page 14. Total revenue and expenditures for the general fund (on a modified accrual basis) are \$23,429,729 and \$17,537,882, respectively. The general fund balance increased \$998,388. This increase indicates that the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole. The general fund transferred out \$4,950,000 to other funds primarily to fund capital projects. The Capital Improvements and Street Resurfacing capital projects funds had fund balances of \$5,585,635 and \$5,678,121, respectively, at December 31, 2004, a decrease of \$9,092,528 and \$3,245,875, respectively, from the prior year. These decreases are the result of the construction projects underway in the City.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. The legal level of budgetary control for the City is at the department level for the General and Street Construction, Maintenance and Repair funds and at the fund level for all other funds. Any budgetary modifications at this level may only be made by ordinance of City Council. City policy permits fund transfers within control levels with the approval of the Mayor and Director of Finance. During the course of 2004, the City amended its general fund budget several times. In addition to day-to-day budget monitoring, the Director of Finance closely examines the budget with the preparation of the monthly financial statements and quarterly budget analysis reports.

For the general fund, original budgeted revenues were \$22,347,544; final budget amounts were \$22,467,544; and actual revenue collections were \$23,158,593. The majority of the increase in actual revenue over the original and final budgeted amounts is due to municipal income taxes. The original budget included a conservative estimate of \$18,100,000 while actual municipal income tax revenue was \$19,039,860.

**Capital Assets and Debt Administration**

***Capital Assets***

Table 4 compares capital assets as of December 31, 2004 to balances at December 31, 2003.

Total capital assets as of December 31, 2004 were \$82,855,930, which is an increase of \$13,080,645 over 2003 capital assets. The most significant increase was in construction in progress, which largely represent the improvements being made to the Shared Use Facility and Rockside Road projects.

Each year the Mayor and Engineer review the condition of the City's infrastructure and determine what work needs to be completed. The projects are then prioritized and submitted to Council. During the budget process, the Mayor, Council and Director of Finance determine which projects will be budgeted for the following year.

See Note 8 in the financial statements for more information regarding the City's capital assets.

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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**Table 4**  
**Capital Assets at December 31 (Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$13,386,930	\$11,001,283
Construction in Progress	15,823,109	3,708,862
Buildings and Improvements	19,574,151	19,964,088
Machinery and Equipment	1,241,442	1,304,501
Furniture and Fixtures	581,538	661,698
Vehicles	2,031,081	2,140,458
Infrastructure	30,217,679	30,994,395
<i>Total</i>	<u>\$82,855,930</u>	<u>\$69,775,285</u>

***Debt***

Table 5 summarizes outstanding debt at December 31, 2004 compared to December 31, 2003.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2004	2003
Special Assessment Bonds	\$708,334	\$735,186
Various Improvement Notes	9,900,000	10,400,000
OPWC Loans	64,287	71,054
Compensated Absences Payable	476,278	424,700
General Obligation Bonds	26,011,213	27,136,353
<i>Total</i>	<u>\$37,160,112</u>	<u>\$38,767,293</u>

The special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. The various improvement notes will be paid out of the bond retirement fund. See Note 16 in the financial statements for more information regarding the City's outstanding debt.

**Current Financial Related Activities**

The City's budget anticipates the current economic downturn will begin to turnaround throughout 2004. Most of the major revenue sources for the City have been budgeted at an amount less than what was actually received. When preparing the budget, the Mayor asked department directors to request minimal increases, excluding salaries and benefits, from the budget. The City's strong financial position and the City's commitment to protecting the level of services afforded all citizens continues to be underlying theme during the budget process.

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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In order to maintain services provided to citizens and improve the economic and operational efficiency of the City, the City has been focused on facility expansion issues. In 2003, the City began the Rockside Road Widening and the Shared Use Facility projects. The widening project, once complete, will accommodate future growth to the City's most vital commercial district which is estimated to be one-third undeveloped at this time. This project was not yet completed as December 31, 2004.

**Contacting the City's Finance Department**

This financial report is designed to provide 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 John M. Veres, CPA, Director of Finance at the City of Independence, 6800 Brecksville Road, Independence, Ohio 44131, 216-524-4131, or email at [Veresj@independenceohio.org](mailto:Veresj@independenceohio.org).

**City of Independence, Ohio**

*Statement of Net Assets*

*December 31, 2004*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$21,851,026
Cash and Cash Equivalents:	
In Segregated Accounts	24,737
Materials and Supplies Inventory	134,512
Accounts Receivable	78,281
Intergovernmental Receivable	795,339
Prepaid Items	69,195
Municipal Income Taxes Receivable	4,145,276
Property Taxes Receivable	1,512,945
Special Assessments Receivable	675,000
Deferred Charges	296,007
Nondepreciable Capital Assets	29,210,039
Depreciable Capital Assets, Net	<u>53,645,891</u>
<i>Total Assets</i>	<u>112,438,248</u>
<b>Liabilities</b>	
Accounts Payable	311,534
Accrued Wages	377,504
Contracts Payable	871,366
Intergovernmental Payable	573,511
Accrued Interest Payable	227,854
Deferred Revenue	1,367,472
Retainage Payable	373,255
Long-Term Liabilities:	
Due Within One Year	1,297,112
Due In More Than One Year	<u>35,995,895</u>
<i>Total Liabilities</i>	<u>41,395,503</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	54,689,995
Restricted for:	
Capital Projects	4,847,751
State Highway	183,949
Street Construction Maintenance and Repair	263,556
Other Purposes	306,066
Unrestricted	<u>10,751,428</u>
<i>Total Net Assets</i>	<u><u>\$71,042,745</u></u>

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
General Government	\$4,985,297	\$192,538	\$0	\$0	(\$4,792,759)
Security of Persons and Property	8,054,485	479,047	0	0	(7,575,438)
Public Health and Welfare	86,338	3,963	0	0	(82,375)
Leisure Time Activities	2,979,761	442,750	0	0	(2,537,011)
Community Environment	2,413,794	109,565	0	0	(2,304,229)
Basic Utility Services	992,297	21,994	0	0	(970,303)
Transportation	5,340,467	37,771	511,867	2,730,500	(2,060,329)
Interest and Fiscal Charges	1,244,926	0	0	0	(1,244,926)
<i>Totals</i>	<u>\$26,097,365</u>	<u>\$1,287,628</u>	<u>\$511,867</u>	<u>\$2,730,500</u>	<u>(21,567,370)</u>
<b>General Revenues</b>					
Property and Other Local Taxes Levied for:					
General Purposes					1,846,133
Debt Service					288,416
Police Pension					142,208
Municipal Income Tax Levied for					
General Purposes					19,452,865
Grants and Entitlements not Restricted to Specific Programs					892,046
Investment Income					516,584
Miscellaneous					613,729
<i>Total General Revenues</i>					<u>23,751,981</u>
Change in Net Assets					2,184,611
<i>Net Assets Beginning of Year - Restated (See Note 3 )</i>					<u>68,858,134</u>
<i>Net Assets End of Year</i>					<u>\$71,042,745</u>

See accompanying notes to the basic financial statements



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**City of Independence, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2004*

	General	Capital Improvements	Street Resurfacing	Oak Tree
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,402,467	\$5,708,661	\$7,407,303	\$393,974
Cash and Cash Equivalents In Segregated Accounts	24,737	0	0	0
Materials and Supplies Inventory	134,512	0	0	0
Accounts Receivable	78,281	0	0	0
Interfund Receivable	1,704,500	0	227,500	0
Intergovernmental Receivable	528,828	0	0	0
Prepaid Items	69,195	0	0	0
Special Assessments Receivable	0	0	0	675,000
Property Taxes Receivable	1,026,642	0	0	0
Municipal Income Taxes Receivable	4,145,276	0	0	0
<i>Total Assets</i>	<u>\$11,114,438</u>	<u>\$5,708,661</u>	<u>\$7,634,803</u>	<u>\$1,068,974</u>
<b>Liabilities</b>				
Accounts Payable	\$219,798	\$26,789	\$11,546	\$0
Accrued Wages	341,592	0	0	0
Contracts Payable	44,953	95,935	674,183	0
Intergovernmental Payable	439,474	0	0	0
Retainage Payable	0	2,302	370,953	0
Interfund Payable	0	0	900,000	361,000
Deferred Revenue	2,263,427	0	0	675,000
<i>Total Liabilities</i>	<u>3,309,244</u>	<u>125,026</u>	<u>1,956,682</u>	<u>1,036,000</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	422,535	3,053,072	6,361,903	182,804
Undesignated, Reported in:				
General Fund	7,382,659	0	0	0
Special Revenue Funds	0	0	0	0
Debt Service Fund (Deficit)	0	0	0	0
Capital Projects Funds (Deficit)	0	2,530,563	(683,782)	(149,830)
<i>Total Fund Balances</i>	<u>7,805,194</u>	<u>5,583,635</u>	<u>5,678,121</u>	<u>32,974</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,114,438</u>	<u>\$5,708,661</u>	<u>\$7,634,803</u>	<u>\$1,068,974</u>

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2004*

Other Governmental Funds	Total Governmental Funds
\$1,827,014	\$18,739,419
0	24,737
0	134,512
0	78,281
0	1,932,000
266,511	795,339
0	69,195
0	675,000
486,303	1,512,945
0	4,145,276
<u>\$2,579,828</u>	<u>\$28,106,704</u>
\$53,401	\$311,534
35,912	377,504
56,295	871,366
134,037	573,511
0	373,255
671,000	1,932,000
660,388	3,598,815
<u>1,611,033</u>	<u>8,037,985</u>
379,712	10,400,026
0	7,382,659
311,525	311,525
285,846	285,846
(8,288)	1,688,663
<u>968,795</u>	<u>20,068,719</u>
<u>\$2,579,828</u>	<u>\$28,106,704</u>

**Total Governmental Funds Balances** \$20,068,719

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 82,855,930

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	145,473
Municipal Income Taxes	961,964
Intergovernmental	448,906
Special Assessments	<u>675,000</u>

Total 2,231,343

Bond Issuance costs are considered deferred charges and will be amortized over the life of the bonds on the statement of net assets. 296,007

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported due. (227,854)

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 3,111,607

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(476,278)
General Obligation Bonds	(26,011,213)
Special Assessment Bonds	(708,334)
OPWC Loan Payable	(64,287)
Police and Fire Liability	(80,381)
Notes Payable	(9,900,000)
Capital Lease Payable	<u>(52,514)</u>

Total (37,293,007)

***Net Assets of Governmental Activities*** \$71,042,745

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2004*

	General	Capital Improvements	Street Resurfacing	Oak Tree
<b>Revenues</b>				
Property and Other Local Taxes	\$1,828,572	\$0	\$0	\$0
Municipal Income Taxes	19,199,818	0	0	0
Special Assessments	0	0	0	25,000
Intergovernmental	852,608	0	2,730,500	0
Investment Income	200,247	116,814	96,350	43,501
Fees, Licenses and Permits	408,566	0	0	0
Fines and Forfeitures	365,252	0	0	0
Charges for Services	36,689	0	0	0
Miscellaneous	537,977	0	0	0
<i>Total Revenues</i>	<u>23,429,729</u>	<u>116,814</u>	<u>2,826,850</u>	<u>68,501</u>
<b>Expenditures</b>				
Current:				
General Government	4,169,216	0	0	0
Security of Persons and Property	7,114,698	0	0	0
Public Health and Welfare	86,338	0	0	0
Leisure Time Activities	2,532,046	0	0	0
Community Environment	2,391,832	0	0	0
Basic Utility Services	475,860	0	0	0
Transportation	767,892	0	0	0
Capital Outlay	0	10,064,721	7,534,897	173,593
Debt Service:				
Principal Retirement	0	7,395,237	2,100,000	25,000
Interest and Fiscal Charges	0	185,368	37,828	27,945
<i>Total Expenditures</i>	<u>17,537,882</u>	<u>17,645,326</u>	<u>9,672,725</u>	<u>226,538</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,891,847</u>	<u>(17,528,512)</u>	<u>(6,845,875)</u>	<u>(158,037)</u>
<b>Other Financing Sources (Uses)</b>				
General Obligation Notes Issued	0	6,800,000	1,600,000	0
Inception of Capital Leases	0	60,984	0	0
Transfers In	56,541	1,575,000	2,000,000	0
Transfers Out	(4,950,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(4,893,459)</u>	<u>8,435,984</u>	<u>3,600,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	998,388	(9,092,528)	(3,245,875)	(158,037)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>6,806,806</u>	<u>14,676,163</u>	<u>8,923,996</u>	<u>191,011</u>
<i>Fund Balances End of Year</i>	<u><u>\$7,805,194</u></u>	<u><u>\$5,583,635</u></u>	<u><u>\$5,678,121</u></u>	<u><u>\$32,974</u></u>

See accompanying notes to the basic financial statements

**City of Independence, 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, 2004*

Other Governmental Funds	Total Governmental Funds		
\$422,306	\$2,250,878	<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$12,661,907)
0	19,199,818	<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
0	25,000	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 exceeded depreciation in the current period.	
513,788	4,096,896	Capital Outlay	15,507,360
16,039	472,951	Depreciation	<u>(2,426,715)</u>
326,637	735,203	Total	13,080,645
150,484	515,736	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
0	36,689	Property and Other Local Taxes	25,879
75,752	613,729	Municipal Income Tax	253,047
1,505,006	27,946,900	Intergovernmental	37,517
		Special Assessments	<u>(25,000)</u>
		Total	291,443
		In the statement of activities, interest is accrued on outstanding bonds, bond issuance costs and bond premium are amortized over the term of the bonds, whereas in governmental funds, an expenditure is reported when bonds are issued.	
		Accrued Interest	(49,440)
		Amortization of Bond Issuance Costs	(17,701)
		Amortization of Accounting Loss	(5,333)
		Amortization of Bond Premium	<u>52,325</u>
		Total	(20,149)
		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.	(51,578)
		Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	11,529,050
		Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.	
		Bond Anticipation Notes Issued	(9,900,000)
		Inception of Capital Leases	<u>(60,984)</u>
		Total	(9,960,984)
		The internal service fund used to charge costs of insurance to individual funds is not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	<u>(21,909)</u>
\$968,795	\$20,068,719	<i>Change in Net Assets of Governmental Activities</i>	\$2,184,611

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$1,896,240	\$1,896,240	\$1,829,785	(\$66,455)
Municipal Income Taxes	18,100,000	18,220,000	19,039,860	819,860
Intergovernmental	893,599	893,599	867,028	(26,571)
Investment Income	80,323	80,323	77,645	(2,678)
Fees, Licenses and Permits	422,659	422,659	408,566	(14,093)
Fines and Forfeitures	374,598	374,598	362,107	(12,491)
Charges for Services	36,854	36,854	35,625	(1,229)
Miscellaneous	543,271	543,271	537,977	(5,294)
<i>Total Revenues</i>	<u>22,347,544</u>	<u>22,467,544</u>	<u>23,158,593</u>	<u>691,049</u>
<b>Expenditures</b>				
Current:				
General Government	4,316,077	4,427,431	4,285,348	142,083
Security of Persons and Property	7,146,688	7,140,941	7,121,517	19,424
Public Health and Welfare	97,772	98,572	96,022	2,550
Leisure Time Activities	2,512,856	2,539,226	2,517,877	21,349
Community Environment	2,528,511	2,469,647	2,427,222	42,425
Basic Utility Services	504,923	501,423	485,590	15,833
Transportation	820,821	849,408	848,036	1,372
<i>Total Expenditures</i>	<u>17,927,648</u>	<u>18,026,648</u>	<u>17,781,612</u>	<u>245,036</u>
<i>Excess of Revenues Over Expenditures</i>	<u>4,419,896</u>	<u>4,440,896</u>	<u>5,376,981</u>	<u>936,085</u>
<b>Other Financing Sources (Uses)</b>				
Advances Out	(350,000)	(465,070)	(360,000)	105,070
Transfers In	56,541	56,541	56,541	0
Transfers Out	(4,915,000)	(4,950,000)	(4,950,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(5,208,459)</u>	<u>(5,358,529)</u>	<u>(5,253,459)</u>	<u>105,070</u>
<i>Net Change in Fund Balance</i>	(788,563)	(917,633)	123,522	1,041,155
<i>Fund Balance Beginning of Year</i>	2,368,386	2,368,386	2,368,386	0
Prior Year Encumbrances Appropriated	444,548	444,548	444,548	0
<i>Fund Balance End of Year</i>	<u>\$2,024,371</u>	<u>\$1,895,301</u>	<u>\$2,936,456</u>	<u>\$1,041,155</u>

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Statement of Fund Net Assets*  
*Internal Service Fund*  
*December 31, 2004*

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	<u>Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,111,607
<b>Liabilities</b>	
	<u>0</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$3,111,607</u></u>

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Year Ended December 31, 2004*

	Insurance
<b>Operating Revenues</b>	\$0
<b>Operating Expenses</b>	
Purchased Services	9,468
Claims	56,074
<i>Total Operating Expenses</i>	65,542
<i>Operating Loss</i>	(65,542)
<b>Non-Operating Revenues</b>	
Interest	43,633
<i>Change in Net Assets</i>	(21,909)
<i>Net Assets Beginning of Year</i>	3,133,516
<i>Net Assets End of Year</i>	\$3,111,607

See accompanying notes to the basic financial statements



**City of Independence, Ohio**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Year Ended December 31, 2004

	Insurance
 <i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>	
 <b>Cash Flows from Operating Activities</b>	
Cash Payments for Contractual Services	(\$9,468)
Cash Payments for Claims	(56,074)
<i>Net Cash Used in Operating Activities</i>	(65,542)
 <b>Cash Flows from Investing Activities</b>	
Interest on Investments	43,633
<i>Net Decrease in Cash and Cash Equivalents</i>	(21,909)
 <i>Cash and Cash Equivalents Beginning of Year</i>	 3,133,516
 <i>Cash and Cash Equivalents End of Year</i>	 \$3,111,607
 <b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
 <i>Operating Loss/Net Cash Used in Operating Activities</i>	 (\$65,542)

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2004*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u>\$191,284</u>
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**Liabilities**

Undistributed Monies	<u>\$191,284</u>
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See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 1 - Reporting Entity**

The City of Independence (the City) is a home rule municipal corporation formed under the laws of the State of Ohio. The City operates under its own Charter made effective November 4, 1958. The Charter, as amended, provides for a Council-Mayor form of government.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes, performs the judicial functions of the City and presides at Council meetings. The chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also appoints all department heads and executes all contracts, conveyances, and evidences of indebtedness of the City.

Legislative authority is vested in a seven member council with all seven members elected at large for a term of two years. Council enacts ordinances and resolutions relating to tax levies, appropriates and borrows money, and accepts bids for materials and services and other municipal purposes.

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, agencies, departments and offices that are not legally separate from the City. For the City of Independence this includes the departments and agencies that provide the following services: police and fire protection, emergency medical, parks, recreation, a cemetery, street maintenance and Mayor's court.

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; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

The City participates in two jointly governed organizations, the Southwest Council of Governments and the Northeast Ohio Public Energy Council. These organizations are presented in Note 17 of the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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***A. Basis of Presentation***

The City's basic financial statements 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 activity of the internal service is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental 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. 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 governmental function is self-financing or draws 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 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

***B. 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 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 accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Capital Improvements Fund*** The capital improvements fund is used to account for general obligation bond proceeds for departmental capital improvements such as machinery and equipment, furniture, fixtures and equipment and vehicles.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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***Street Resurfacing Fund*** The street resurfacing fund accounts for general obligation bond proceeds and grant monies for infrastructure improvements made within the City including roads, water lines, storm sewers and sanitary sewers.

***Oak Tree Fund*** The oak tree fund accounts for special assessment monies used for improvements to Oak Tree North.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no enterprise funds. The following is a description of the City's internal service fund.

***Internal Service Funds*** Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on the City's extraordinary liability insurance for all lawsuits.

***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 only utilizes the agency fund type. The agency fund accounts for deposits from various contractors, developers or individuals to insure compliance with various City ordinances.

### ***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are presented 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. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total 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 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 fund net assets. The statement of revenues, expenses and 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.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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***D. 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 and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified 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.

***Revenues - Exchange and Nonexchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the 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. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). 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 the 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 and motor vehicle license fees), fees, fines and forfeitures, interest, grants and entitlements.

***Deferred Revenue*** Deferred revenue arises 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, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also 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 Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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***E. Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within the general fund and the street construction, maintenance and repair special revenue fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by ordinance of Council. Authority to further allocate Council appropriations within departments has been given to the Finance Director for all funds except for the General fund and the Street Construction, Maintenance and Repair special revenue fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the final amended certificate of estimated resources in effect at the time final appropriations were enacted by Council.

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

***F. Cash and Cash Equivalents***

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

During 2004, investments were limited to STAROhio, U.S. Treasury notes, federal home loan bank bonds, federal farm credit bonds, federal national mortgage association bonds and federal national mortgage corporation bonds.

Investments are reported at fair value which is based on quoted market prices. The fair value of the mutual funds is based on current share prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$200,247, which includes \$126,773 assigned from other City funds.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented on the balance sheet as "cash and cash equivalents in segregated accounts."

***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

***H. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

***I. Capital Assets***

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars with the exception of land as land was listed regardless of cost. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	50 Years
Machinery and Equipment	10 Years
Furniture and Fixtures	20 Years
Vehicles	8-20 Years
Infrastructure	20-100 years

The City's infrastructure consists of roadways, water lines, sanitary sewers and storm sewers and includes infrastructure acquired prior to December 31, 1980.



**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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***J. Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets.

***K. 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 employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City’s past experience of making termination payments.

***L. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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 and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***M. Fund Balance Reserves***

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances are recorded as a reservation of fund balance.

***N. 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 enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The government-wide statement of net assets reports \$5,601,322 of restricted net assets, of which \$385,603 is restricted by enabling legislation.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
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Net assets restricted for other purposes include law enforcement, drug enforcement and education, police pension payments, and recreation activities.

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

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definition of operating are reported as nonoperating.

***P. Interfund Activity***

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

***Q. 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.

***R. Estimates***

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

**Note 3 – Change in Accounting Principles and Restatement of Prior Year’s Fund Balance**

For 2004, the City has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.”

GASB Statement No. 39 states that entities for which a primary organization is not financially accountable may still be reported as a component units based on the nature and significance of their relationship with the primary government.

GASB Statement No. 46 clarifies how enabling legislation should be defined for determining restricted net assets.

**City of Independence, Ohio**  
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GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 39 and GASB Statement No. 46 did not affect the presentation of the financial statements of the City. The implementation of GASB Technical Bulletin No. 2004-2 and corrections to prior year errors had the following effect on fund balance at December 31, 2003:

	<u>General</u>	<u>Capital Improvements</u>	<u>Street Resurfacing</u>	<u>OakTree</u>
Fund Balance, December 31, 2003	\$7,280,439	\$14,676,163	\$8,923,996	(\$35,603)
Intergovernmental Payable	(319,489)	0	0	0
Accrued Wages Payable	(154,144)	0	0	0
Retainage Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>226,614</u>
Restated Fund Balance, December 31, 2003	<u>\$6,806,806</u>	<u>\$14,676,163</u>	<u>\$8,923,996</u>	<u>\$191,011</u>
	<u>Other Funds</u>	<u>Total</u>		
Fund Balance, December 31, 2003	\$2,270,584	\$33,115,579		
Intergovernmental Payable	(122,854)	(442,343)		
Accrued Wages Payable	(15,080)	(169,224)		
Retainage Payable	<u>0</u>	<u>226,614</u>		
Restated Fund Balance, December 31, 2003	<u>\$2,132,650</u>	<u>\$32,730,626</u>		

Due to the above changes and a correction to accrued interest payable, net assets as of December 31, 2003 were restated as follows:

**City of Independence, Ohio**  
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	Governmental Activities
Net Assets, December 31, 2003	\$68,845,750
Accrued Interest Payable	(45,006)
Accrued Wages Payable	(169,224)
Retainage Payable	226,614
Restated Net Assets December 31, 2003	\$68,858,134

**Note 4 - 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 basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c) Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- d) Unrecorded cash represents amounts received but not included as revenue on the budget basis statements. These amounts are included as revenue on the GAAP basis operating statements.
- e) Investments are reported at cost (budget basis) rather than at fair value (GAAP basis).
- f) Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**City of Independence, Ohio**  
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Net Change in Fund Balance

	General
GAAP Basis	\$998,388
Net Adjustment for Revenue Accruals	(417,908)
Beginning Fair Value Adjustment for Investments	190,134
Ending Fair Value Adjustment for Investments	(45,512)
Advances Out	(360,000)
Net Adjustment for Expenditure Accruals	287,235
Beginning Unrecorded Cash	21,592
Ending Unrecorded Cash	(19,442)
Encumbrances	(530,965)
Budget Basis	\$123,522

**Note 5 – Accountability**

The following funds had deficit fund balances as of December 31, 2004.

	Deficits
<b>Nonmajor Funds:</b>	
Special Revenue Fund:	
Police Pension	\$73,120
Debt Service Fund:	
Quadrant TIF	114,301
Capital Projects Fund:	
Rockside Road	39,635

Fund deficits in the Police Pension, Quadrant TIF and the Rockside Road funds are due to adjustments for accrued liabilities. The General fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur.

**Note 6 - 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 City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council 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

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
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deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the 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. Interim monies may be invested in the following:

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 exceeds 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

**City of Independence, Ohio**  
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Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the qualified trustee or, custodian.

The following information on classified deposits and investments is by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**Cash on Hand** At year end, the City had \$850 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents".

**Deposits** At year-end, the carrying amount of the City's deposits was \$7,450,758 and the bank balance was \$7,773,094. Of the bank balance:

1. \$224,053 was covered by federal depository insurance.
2. \$7,549,041 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**Investments** GASB Statement No. 3 requires the City to categorize investments to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments that are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio is not categorized since it is not evidenced by securities that exist in physical or book entry form.

Type	Category 3	Carrying and Fair Value
STAROhio		\$23,757
U.S. Treasury Notes	\$894,886	894,886
Federal Home Loan Bank Bonds	3,767,585	3,767,585
Federal Farm Credit Bonds	672,894	672,894
Federal National Mortgage Association Bonds	5,755,852	5,755,852
Federal National Mortgage Corporation Bonds	3,500,465	3,500,465
<b>Total</b>	<b>\$14,591,682</b>	<b>\$14,615,439</b>

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
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The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined as investments with an original maturity of three months or less.

The reconciliation between the classification of cash and investments on the basic financial statements and the classification per GASB Statement No. 3, is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$22,067,047	\$0
Cash on Hand	(850)	0
Investments		
STAROhio	(23,757)	23,757
U.S. Treasury Notes	(894,886)	894,886
Federal Home Loan Bank Bonds	(3,767,585)	3,767,585
Federal Farm Credit Bonds	(672,894)	672,894
Federal National Mortgage Association Bonds	(5,755,852)	5,755,852
Federal Home Loan Mortgage Corporation Bonds	(3,500,465)	3,500,465
	\$7,450,758	\$14,615,439
GASB Statement No. 3		

**Note 7 – Receivables**

Receivables at December 31, 2004, consisted primarily of property and other taxes, municipal income taxes, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

Special assessments expected to be collected on the Oak Tree Issue II capital projects fund within one year amount to \$25,000 and in more than one year amount to \$650,000. At December 31, 2004, there were no delinquent special assessments.

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.



**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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2004 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventories.

The full tax rate for all City operations for the year ended December 31, 2004 was \$4.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property:	
Residential/Agricultural	\$217,259,750
Other Real Estate	255,391,400
Public Utility Personal Property	25,368,400
Tangible Personal Property	<u>42,971,606</u>
Total	<u><u>\$540,991,156</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, the 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.

Tangible personal property taxes paid by multi-city taxpayers are due September 20. Single city taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The Cuyahoga County Treasurer collects property tax on behalf of all taxing districts within the County, including the City of Independence. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2004 operations and the collection of delinquent 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.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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***B. Income Tax***

The City levies a municipal income tax of two percent on all wages, salaries, commissions and other compensation and net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. In 2004, the proceeds were allocated entirely to the general fund.

***C. Intergovernmental Receivable***

A summary of the governmental activities principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Local Government	\$308,297
Street Construction Maintenance and Repair	214,301
Estate Tax	160,318
Homestead and Rollback	71,278
US Department of Justice	1,818
US Department of Treasury	1,825
State Highway	17,292
Motor Vehicle License Tax	11,840
Prisoner Housing	950
Liquor Fees	7,253
Enforcement and Education	<u>167</u>
Total Intergovernmental Receivables	<u><u>\$795,339</u></u>

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 8 - Capital Assets**

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance 12/31/03	Additions	Reductions	Balance 12/31/04
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$11,001,283	\$2,385,647	\$0	\$13,386,930
Construction in progress	3,708,862	12,114,247	0	15,823,109
<i>Total Capital Assets, Not Being Depreciated</i>	<i>14,710,145</i>	<i>14,499,894</i>	<i>0</i>	<i>29,210,039</i>
<b>Capital Assets, Being Depreciated</b>				
Buildings and Improvements	25,133,489	118,528	0	25,252,017
Machinery and Equipment	2,805,711	195,447	0	3,001,158
Furniture and Fixtures	1,693,188	5,096	0	1,698,284
Vehicles	4,853,201	334,530	(215,000)	4,972,731
Infrastructure				
Roads	25,362,101	0	0	25,362,101
Water Lines	5,078,955	353,865	0	5,432,820
Sanitary Sewers	2,670,596	0	0	2,670,596
Storm Sewers	9,207,548	0	0	9,207,548
<i>Total Capital Assets, Being Depreciated</i>	<i>76,804,789</i>	<i>1,007,466</i>	<i>(215,000)</i>	<i>77,597,255</i>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(5,169,401)	(508,465)	0	(5,677,866)
Machinery and Equipment	(1,501,210)	(258,506)	0	(1,759,716)
Furniture and Fixtures	(1,031,490)	(85,256)	0	(1,116,746)
Vehicles	(2,712,743)	(443,907)	215,000	(2,941,650)
Infrastructure				
Roads	(8,442,728)	(871,935)	0	(9,314,663)
Water Lines	(664,137)	(54,329)	0	(718,466)
Sanitary Sewers	(385,235)	(35,608)	0	(420,843)
Storm Sewers	(1,832,705)	(168,709)	0	(2,001,414)
<i>Total Accumulated Depreciation</i>	<i>(21,739,649)</i>	<i>(2,426,715) *</i>	<i>215,000</i>	<i>(23,951,364)</i>
Total Capital Assets, Being Depreciated, Net	55,065,140	(1,419,249)	0	53,645,891
Governmental Activities Capital Assets, Net	\$69,775,285	\$13,080,645	\$0	\$82,855,930

\* Depreciation expense was charged to governmental activities as follows:

General Government	\$671,646
Security of Persons and Property	332,881
Leisure Time Activities	35,345
Community Environment	26,389
Basic Utility Services	488,519
Transportation	871,935
Total	\$2,426,715

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 9 - Contingencies**

**A. Grants**

The City receives financial assistance from 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 any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City.

**B. Litigation**

The City is a party to legal proceedings. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City and that the City has adequate liability insurance coverage to protect itself against any material loss.

**Note 10 - Risk Management**

**A. Property and Liability**

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2004, the City contracted with CNA Insurance Company of Hartford for various types of insurance as follows:

Type	Coverage	Deductible
Inland Marine		
Contractor's Equipment	\$502,718	\$1,000
Property	42,418,425	10,000
Electric Data Processing	375,000	10,000
Fleet Vehicle	1,000,000	1,000

Settled claims have not exceeded this coverage in any of the last three years. There has not been significant reduction in coverage from the prior year.

The City accounts for extraordinary liability insurance for all lawsuits in the self insurance internal service fund. There were no outstanding claims at December 31, 2004. Changes in the fund's claims liability amount for 2003 and 2004 were:

	Beginning of Year	Year Claims	Payments	End of Year
2003	\$0	\$24,672	\$24,672	\$0
2004	0	56,074	56,074	0

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
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***B. Workers' Compensation***

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 11 - Defined Benefit Pension Plans**

***A. Ohio Public Employees Retirement System***

The City of Independence participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 percent 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 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 and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$538,983, \$528,252, and \$524,692 respectively; 78.17 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$13,291 made by the City and \$8,338 made by the plan members.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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

The City of Independence 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 information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters were \$268,688 and \$245,502 for the year ended December 31, 2004, \$255,365 and \$238,291 for the year ended December 31, 2003, and \$259,742 and \$234,032 for the year ended December 31, 2002, respectively. The full amount has been contributed for 2003 and 2002. 64.01 percent for police and 72.06 percent for firefighters has been contributed for 2004.

**Note 12 - Postemployment Benefits**

***A. Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$315,194. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$177,220 for police and \$117,086 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

**Note 13 – Compensated Absences**

Employees earn five to twenty-five days of vacation per year, depending upon length of service. Upon termination, employees are paid for accrued unused vacation up to ten days; all other vacation time is lost. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement, an employee can be paid a maximum of one fourth of 960 hours of accumulated, unused sick leave.

**Note 14 – Capital Leases**

During 2004, the City entered into a lease agreement for a communications system. In prior years, the City has entered into lease agreements for copiers. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement No. 13, "Accounting for Leases", and has been recorded on the government-wide statements. The equipment has been capitalized in the amount of \$136,753, the present value of the minimum lease payments at the inception of the lease. Accumulated depreciation on the equipment was \$30,097, with a book value of \$106,656 as of December 31, 2004.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of minimum lease payments as of December 31, 2004:

Year Ending December 31,	Governmental Activities
2005	\$21,588
2006	21,588
2007	12,593
Total Minimum Lease Payments	55,769
Less: Amount Representing Interest	(3,255)
Present Value of Minimum Lease Payments	\$52,514

**Note 15 – Contractual Commitments**

The City had the following contractual commitments outstanding at December 31, 2004:

Project	Contract Amount	Amount Paid to Date	Amount Remaining on Contract
Sanitary Sewer	\$98,820	\$0	\$98,820
Roadway Maintenance	115,432	0	115,432
Creek Maintenance	95,275	22,826	72,449
Shared Facilities	13,000,000	10,932,569	2,607,431
Rockside Road	13,827,518	7,584,516	6,243,002
Total	\$27,137,045	\$18,539,911	\$8,597,134



**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2004

**Note 16 - Long-Term Obligations**

The changes in long-term obligations during the year were as follows:

	Balance 12/31/03	Additions	Reductions	Balance 12/31/04	Amounts Due in One Year
<b>General Obligation Bonds</b>					
2003 \$2,520,000 - 2% to 3%					
Civic Center	\$2,385,000	\$0	(\$275,000)	\$2,110,000	\$285,000
Unamortized Premium	14,558	0	(1,819)	12,739	0
Unamortized Accounting Loss	(42,667)	0	5,333	(37,334)	0
2003 \$15,000,000 - 2% to 5%					
Shared Facilities	15,000,000	0	(580,000)	14,420,000	595,000
Unamortized Premium	750,221	0	(39,485)	710,736	0
2003 \$7,125,000 - 2% to 5%					
Northwest Quadrant TIF	7,125,000	0	(180,000)	6,945,000	185,000
Unamortized Premium	185,932	0	(7,437)	178,495	0
2003 \$1,675,000 - 2% to 5%					
Southwest Quadrant TIF	1,675,000	0	(45,000)	1,630,000	45,000
Unamortized Premium	43,309	0	(1,732)	41,577	0
<b>Total General Obligation Bonds</b>	<b>27,136,353</b>	<b>0</b>	<b>(1,125,140)</b>	<b>26,011,213</b>	<b>1,110,000</b>
<b>Special Assessment Bonds</b>					
2003 \$700,000 - 2% to 5%					
Oaktree	700,000	0	(25,000)	675,000	25,000
Unamortized Premium	35,186	0	(1,852)	33,334	0
<b>Total Special Assessment Bonds</b>	<b>735,186</b>	<b>0</b>	<b>(26,852)</b>	<b>708,334</b>	<b>25,000</b>
<b>OPWC Loan</b>					
1994 \$335,095 - 0%					
Quarry Road Bridge	71,054	0	(6,767)	64,287	6,767
<b>Other Long-term Obligations</b>					
Notes Payable	10,400,000	9,900,000	(10,400,000)	9,900,000	0
Capital Lease Obligation	5,871	60,984	(14,341)	52,514	20,328
Police and Fire Pension	83,323	0	(2,942)	80,381	3,069
Compensated Absences	424,700	55,497	(3,919)	476,278	131,948
<b>Total General Long-term Obligations</b>	<b>\$38,856,487</b>	<b>\$10,016,481</b>	<b>(\$11,579,961)</b>	<b>\$37,293,007</b>	<b>\$1,297,112</b>

On May 15, 2003, the City of Independence issued \$26,320,000 and \$700,000 in general obligation and special assessment bonds, respectively, at various interest rates varying from 2.00 percent to 5.00 percent. A portion of the general obligation bond proceeds were used to refund \$2,700,000 of the 1991 Civic Center general obligation bonds. An analysis of the information follows:

In 2003, the City issued \$2,520,000 in voted general obligation bonds for the purpose of refunding the 1991 Civic Center issue at a lower interest rate. The bonds were issued for a nine year period with a final maturity in 2011.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

In 2003, the City issued \$15,000,000 in unvoted general obligation bonds for the purpose of constructing a shared use facility with the Independence Local School District and the purchase of unused School District property. The bonds were issued for a twenty year period with a final maturity in 2022.

In 2003, the City issued \$7,125,000 and \$1,675,000 in unvoted and voted general obligation bonds for the purpose of widening Rockside Road. The bonds were issued for a twenty-six year period with a final maturity in 2028.

In 2003, the City issued \$700,000 in special assessment bonds for the purpose of constructing a portion of Oaktree Boulevard North. The bonds were issued for a twenty year period with a final maturity in 2022.

In 1994, the City received \$335,095 in Ohio Public Works Commission loans for the Quarry Road Bridge Project. The bonds were issued for a twenty-one year period with a final maturity in 2014.

Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the fund which received the proceeds and the full accrual government statements and will be paid from the debt service fund. In 2004, the City issued \$9,900,000 in various improvement bond anticipation notes for various construction projects throughout the City. The notes are backed by the full faith and credit of the City of Independence and mature within one year. The notes will be paid from the capital improvement, street resurfacing and the drain water capital projects funds.

General obligation bonds will be paid from the general bond retirement debt service fund from property taxes. Special assessment bonds were paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The OPWC loans will be paid from the capital improvements capital projects fund.

Compensated absences will be paid from the General fund and the Street Construction, Maintenance and Repair special revenue fund.

The City's overall legal debt margin was \$46,989,158 with an unvoted debt margin of \$19,939,601 at December 31, 2004. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2004 are as follows:

	General Obligation Bonds		Special Assessment Bonds		OPWC Loan	Police and Fire Liability	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2005	\$1,110,000	\$988,802	\$25,000	\$27,445	\$6,767	\$3,069	\$3,319
2006	1,130,000	966,603	30,000	26,945	6,767	3,200	3,252
2007	1,150,000	944,003	30,000	26,345	6,767	3,338	3,115
2008	1,170,000	921,002	30,000	25,745	6,767	3,481	2,971
2009	1,195,000	895,847	30,000	25,100	6,767	3,631	2,822
2010-2014	5,600,000	3,863,625	165,000	108,250	30,452	20,634	11,631
2015-2019	6,230,000	2,566,162	210,000	65,388	0	25,460	6,802
2020-2024	5,420,000	1,022,402	155,000	13,725	0	17,568	1,304
2025-2028	2,100,000	227,374	0	0	0	0	0
Total	<u>\$25,105,000</u>	<u>\$12,395,820</u>	<u>\$675,000</u>	<u>\$318,943</u>	<u>\$64,287</u>	<u>\$80,381</u>	<u>\$35,216</u>

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 17 – Jointly Governed Organization**

***A. Southwest Council of Governments***

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions and regional development. The board is comprised of one member from each of the sixteen participating entities. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the board. In 2004, the City contributed \$7,500 which represents 5.26 percent of total contributions.

The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZ MAT") which provides hazardous material protection and assistance and the Southwest Enforcement Bureau which provides extra assistance to cities in the form of a SWAT Team. The Council's financial statements may be obtained by contacting the Southwest Council of Governments, Parma Heights, Ohio 44130.

***B. Northeast Ohio Public Energy Council (NOPEC)***

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2004. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 175 South Main Street, Akron, Ohio 44308 or at the website [www.nopecinfo.org](http://www.nopecinfo.org).

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

**Note 18 – Interfund Transactions**

**A. Interfund Balances**

Interfund Payable	Interfund Receivable		Totals
	General	Street Resurfacing	
<i>Major Funds:</i>			
Street Resurfacing	\$900,000	\$0	\$900,000
Oak Tree	133,500	227,500	361,000
<i>Nonmajor Funds:</i>			
Quadrant TIF	571,000	0	571,000
Rockside Woods	100,000	0	100,000
	<u>\$1,704,500</u>	<u>\$227,500</u>	<u>\$1,932,000</u>

The interfund receivables and payables are advances for grant monies that were not repaid by year end. All interfund balances will be repaid within one year.

**B. Interfund Transfers**

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers To	Transfer From		Total
	General	Nonmajor Fund	
<i>Major Funds:</i>			
General Fund	\$0	\$56,541	\$56,541
Capital Improvements	1,575,000	0	1,575,000
Street Resurfacing	2,000,000	0	2,000,000
Total Major Funds	<u>3,575,000</u>	<u>56,541</u>	<u>3,631,541</u>
<i>Nonmajor Funds:</i>			
Street Construction, Maintenance and Repair	850,000	0	850,000
Recreation Trust	105,000	0	105,000
Police Pension	295,000	0	295,000
Drain Water	125,000	0	125,000
Total Nonmajor Funds	<u>1,375,000</u>	<u>0</u>	<u>1,375,000</u>
Total All Funds	<u>\$4,950,000</u>	<u>\$56,541</u>	<u>\$5,006,541</u>

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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The general fund transfer to the capital improvements capital projects fund was to provide money for capital purchases and expenses for year 2004. The General fund transfers to the Street Construction, Maintenance and Repair and Recreation Trust special revenue funds were to help cover costs of yearly expenditures. The general fund transfer to the Police Pension special revenue fund was to help fund pension costs. The general fund transfers to the Street Resurfacing and Drain Water capital projects funds were to fund improvements and provided expenses for year 2004. The Westcreek special assessment bond retirement fund transferred funds to the General fund to close out the project.

**Note 19 – Shared Facilities Joint Operating Agreement**

On July 30, 2002, the City entered into a contribution agreement for constructing, equipping and furnishing a new high school facility, community auditorium, community center and a community field house (shared facility) on property owned by the City and to be partially leased to the School District.

Under the terms of the contribution agreement, the City will contribute \$13,000,000 to the School District, which is 38 percent of the cost of the shared facility project and includes the costs of constructing, equipping and furnishing the shared facility; the cost of constructing, equipping and furnishing related joint use areas; the costs of related design and other professional services. The City will also purchase some unused School District property for \$2,000,000. In 2003, the City issued \$15,000,000 in general obligation bonds to meet its obligations. The land, community center and community field house shall be owned by the City; the high school facility and community auditorium shall be owned by the School District.

The City's contributions were payable based on the percent of project completion as determined by the School District. By the end of 2004, the City has paid \$10,932,569 of its payment obligations to the School District. The shared facility is expected to be completed in September 2005.

The development and use agreement includes provisions for capital improvement funding. Under these provisions, both the City and the School District are required to establish and maintain a community gym fund. For the first year of operation, the City and School District will contribute \$6,000 and \$3,000 respectively. These amounts will increase three-percent annually and will be used for capital improvements and contracted maintenance as jointly decided.

The School District will be responsible for maintaining liability insurance for activities in the shared facility with coverage limits not less than \$2,000,000 for bodily injury and property damage and \$1,000,000 for each occurrence. The City and School District is responsible for personal property insurance on the shared facility owned by them. The City and School District also have additional annual obligations for housekeeping, custodial, equipment, supply and utility costs.

**Note 20 – Subsequent Event**

On May 10, 2005, the City refinanced \$9,900,000 in bond anticipation notes in the amount of \$9,400,000. The new bond anticipation notes have an interest rate of 4.25 percent and mature on May 9, 2006.

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## **Auditor of State Betty Montgomery**

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

City of Independence  
Cuyahoga County  
6800 Brecksville Road  
Independence, Ohio 44131

To the Members of City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Independence, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2005. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated September 28, 2005, we reported other matters involving internal control over financial reporting we did not deem a reportable conditions.

#### **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*.

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

We intend this report solely for the information and use of management and members of City Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

September 28, 2005





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CITY OF INDEPENDENCE**

**CUYAHOGA 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  
OCTOBER 18, 2005**