

**CITY OF STREETSBORO
PORTAGE COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2009

TED GORDON, FINANCE DIRECTOR



Mary Taylor, CPA
Auditor of State

City Council
City of Streetsboro
9184 State Route 43
Streetsboro, Ohio 44241

We have reviewed the *Independent Auditor's Report* of the City of Streetsboro, Portage County, prepared by Julian & Grube, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 11, 2010

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CITY OF STREETSBORO, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of Streetsboro's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Streetsboro's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio, as of December 31, 2009 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3.B., the City has restated its other governmental fund balance at December 31, 2008 to properly reflect a change in classification of the judgment payable.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2010 on our consideration of the City of Streetsboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of Council and Mayor
City of Streetsboro
Page Two

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information 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 cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 21, 2010

CITY OF STREETSBORO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

The management's discussion and analysis of the City of Streetsboro's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- The total net assets of the City increased \$458,955. Net assets of governmental activities increased \$98,975 or 0.80% from 2008 and net assets of business-type activities increased \$359,980 or 4.61% from 2008.
- General revenues accounted for \$9,377,689 or 77.68% of total governmental activities revenue. Program specific revenues accounted for \$2,695,045 or 22.32% of total governmental activities revenue of \$12,072,734.
- The City had \$11,938,138 in expenses related to governmental activities; \$2,695,045 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$9,243,093 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$9,377,689.
- The general fund had revenues and other financing sources of \$10,062,498 in 2009. This represents an increase of \$1,251,348 from 2008 revenues. The expenditures and other financing uses of the general fund, which totaled \$9,909,350 in 2009, increased \$633,053 from 2008. The net increase in fund balance for the general fund was \$153,148 or 9.27%.
- Net assets for the business-type activities, which is made up of the water enterprise fund, increased in 2009 by \$359,980. This increase in net assets was due primarily to adequate charges for services revenue being able to cover operating expenses.
- In the general fund, the actual revenues and other financing sources came in \$1,106,478 more than they were in the final budget and actual expenditures were \$469,961 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues were the same in the original and the final budget. Original budgeted expenditures increased by \$285,848 in the final budget.

Using these Basic Financial Statements

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

The statement of net assets and the statement of changes in net assets provide information from a summary perspective showing the effects of the operations for the year 2009 and how they impacted the operations of the City as a whole.

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

CITY OF STREETSBORO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

CITY OF STREETSBORO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 30-60 of this report.

CITY OF STREETSBORO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets at December 31, 2009 and December 31, 2008:

	Net Assets					
	Governmental Activities 2009	Business-type Activities 2009	Governmental Activities 2008	Business-type Activities 2008	Total 2009	Total 2008
<u>Assets</u>						
Current and other assets	\$ 8,305,074	\$ 2,807,833	\$ 9,179,374	\$ 2,548,601	\$ 11,112,907	\$ 11,727,975
Capital assets, net	<u>12,194,387</u>	<u>6,200,416</u>	<u>11,792,813</u>	<u>6,255,499</u>	<u>18,394,803</u>	<u>18,048,312</u>
Total assets	<u>20,499,461</u>	<u>9,008,249</u>	<u>20,972,187</u>	<u>8,804,100</u>	<u>29,507,710</u>	<u>29,776,287</u>
<u>Liabilities</u>						
Long-term liabilities	6,369,659	693,313	5,834,370	869,445	7,062,972	6,703,815
Other liabilities	<u>1,624,554</u>	<u>144,976</u>	<u>2,731,544</u>	<u>124,675</u>	<u>1,769,530</u>	<u>2,856,219</u>
Total liabilities	<u>7,994,213</u>	<u>838,289</u>	<u>8,565,914</u>	<u>994,120</u>	<u>8,832,502</u>	<u>9,560,034</u>
<u>Net assets</u>						
Invested in capital assets, net of related debt	8,649,477	5,642,714	8,064,332	5,638,237	14,292,191	13,702,569
Restricted	3,327,777	-	3,570,513	-	3,327,777	3,570,513
Unrestricted	<u>527,994</u>	<u>2,527,246</u>	<u>771,428</u>	<u>2,171,743</u>	<u>3,055,240</u>	<u>2,943,171</u>
Total net assets	<u>\$ 12,505,248</u>	<u>\$ 8,169,960</u>	<u>\$ 12,406,273</u>	<u>\$ 7,809,980</u>	<u>\$ 20,675,208</u>	<u>\$ 20,216,253</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the City's assets exceeded liabilities by \$20,675,208. At year-end, net assets were \$12,505,248 and \$8,169,960 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 62.34% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$8,649,477 and \$5,642,714 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$3,327,777 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets is \$527,994.

CITY OF STREETSBORO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

The table below shows the changes in net assets for 2009 and 2008.

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008	Business-type Activities 2009	Business-type Activities 2008	Total 2009	Total 2008
Revenues						
Program revenues:						
Charges for services	\$ 1,617,015	\$ 1,434,570	\$ 2,592,509	\$ 2,397,235	\$ 4,209,524	\$ 3,831,805
Operating grants and contributions	879,815	940,299	-	-	879,815	940,299
Capital grants and contributions	198,215	-	-	-	198,215	-
Total program revenues	<u>2,695,045</u>	<u>2,374,869</u>	<u>2,592,509</u>	<u>2,397,235</u>	<u>5,287,554</u>	<u>4,772,104</u>
General revenues:						
Property taxes	1,444,702	1,432,633	-	-	1,444,702	1,432,633
Income taxes	6,988,308	7,658,790	-	-	6,988,308	7,658,790
Other local taxes	429,617	575,366	-	-	429,617	575,366
Unrestricted grants and entitlements	418,133	480,641	-	-	418,133	480,641
Investment earnings	17,322	92,513	4,118	31,640	21,440	124,153
Miscellaneous	79,607	26,286	106,598	118,975	186,205	145,261
Total general revenues	<u>9,377,689</u>	<u>10,266,229</u>	<u>110,716</u>	<u>150,615</u>	<u>9,488,405</u>	<u>10,416,844</u>
Total revenues	<u>12,072,734</u>	<u>12,641,098</u>	<u>2,703,225</u>	<u>2,547,850</u>	<u>14,775,959</u>	<u>15,188,948</u>
Expenses						
Program expenses:						
General government	2,617,179	2,461,997	-	-	2,617,179	2,461,997
Security of persons and property	5,984,715	5,618,765	-	-	5,984,715	5,618,765
Public health and welfare	34,247	21,807	-	-	34,247	21,807
Transportation	949,330	1,067,740	-	-	949,330	1,067,740
Community environment	859,585	707,206	-	-	859,585	707,206
Leisure time activity	529,846	546,815	-	-	529,846	546,815
Economic development	300	300	-	-	300	300
Utility services	777,657	963,177	-	-	777,657	963,177
Interest and fiscal charges	185,279	217,258	-	-	185,279	217,258
Water	-	-	2,378,866	2,155,477	2,378,866	2,155,477
Total expenses	<u>11,938,138</u>	<u>11,605,065</u>	<u>2,378,866</u>	<u>2,155,477</u>	<u>14,317,004</u>	<u>13,760,542</u>
Increase in net assets before transfers	134,596	1,036,033	324,359	392,373	458,955	1,428,406
Transfers	(35,621)	(21,678)	35,621	21,678	-	-
Change in net assets	98,975	1,014,355	359,980	414,051	458,955	1,428,406
Net assets at beginning of year	<u>12,406,273</u>	<u>11,391,918</u>	<u>7,809,980</u>	<u>7,395,929</u>	<u>20,216,253</u>	<u>18,787,847</u>
Net assets at end of year	<u>\$ 12,505,248</u>	<u>\$ 12,406,273</u>	<u>\$ 8,169,960</u>	<u>\$ 7,809,980</u>	<u>\$ 20,675,208</u>	<u>\$ 20,216,253</u>

CITY OF STREETSBORO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Governmental Activities

Governmental activities net assets increased \$98,975 in 2009. This increase is primarily due to capital grants received for the completion of capital projects.

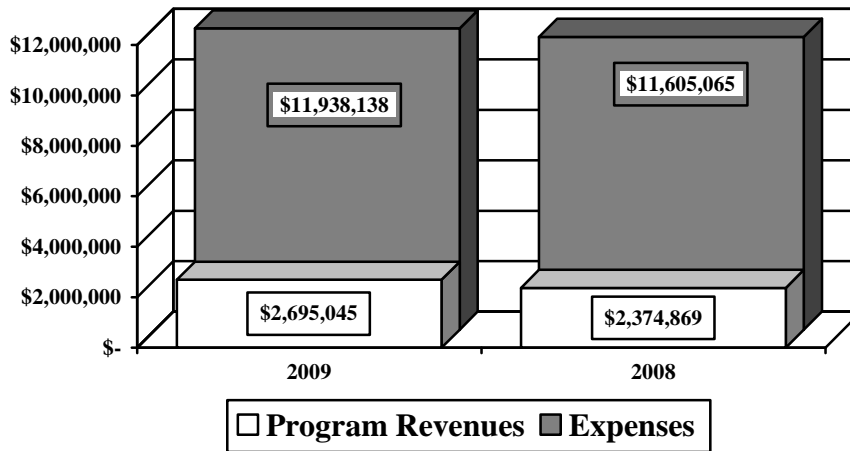
Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$5,984,715 which accounted for 50.13% of the total governmental expenses of the City. These expenses were partially funded by \$656,235 in direct charges to users of the services and \$45,850 in operating grants and contributions. General government expenses totaled \$2,617,179 which was partially funded by \$650,170 in direct charges to users of the services.

The State and Federal government contributed to the City a total of \$879,815 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$819,013 subsidized transportation programs and \$45,850 subsidized security of persons and property activities.

General revenues totaled \$9,377,689, and amounted to 77.68% of total governmental activities revenues. These revenues primarily consist of property, income and other local tax revenue of \$8,862,627. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$418,133.

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

Governmental Activities - Program Revenues vs. Total Expenses



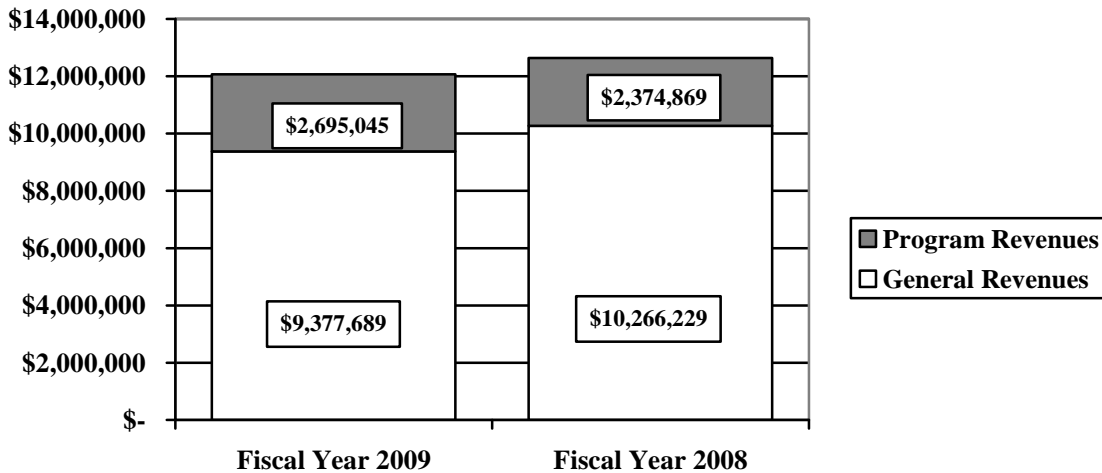
CITY OF STREETSBORO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Governmental Activities

	Total Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2009</u>	Net Cost of Services <u>2008</u>
Program expenses:				
General government	\$ 2,617,179	\$ 2,461,997	\$ 1,957,009	\$ 2,012,878
Security of persons and property	5,984,715	5,618,765	5,282,630	4,997,837
Public health and welfare	34,247	21,807	8,772	14,124
Transportation	949,330	1,067,740	(67,898)	188,894
Community environment	859,585	707,206	654,078	374,066
Leisure time activity	529,846	546,815	448,611	471,821
Economic development	300	300	300	(9,859)
Utility services	777,657	963,177	774,312	963,177
Interest and fiscal charges	<u>185,279</u>	<u>217,258</u>	<u>185,279</u>	<u>217,258</u>
Total expenses	<u>\$ 11,938,138</u>	<u>\$ 11,605,065</u>	<u>\$ 9,243,093</u>	<u>\$ 9,230,196</u>

Governmental Activities - General and Program Revenues



Business-type Activities

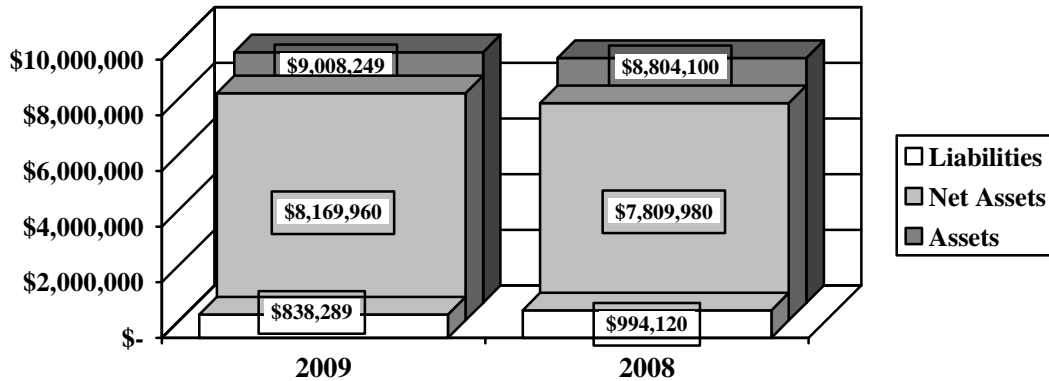
Business-type activities include the water enterprise fund. This program had program revenues of \$2,592,509, general revenues of \$110,716 and expenses of \$2,378,866 for 2009. The increase in net assets of \$359,980 was an increase of 4.61% from 2008 net assets. This increase was due to a increase in program revenues of \$195,274 or 8.15% being sufficient to cover expenses of \$2,378,866.

CITY OF STREETSBORO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$4,597,802 which is a \$145,822 increase from last year's restated total of \$4,451,980. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2009 for all major and nonmajor governmental funds. Fund balances at December 31, 2008 have been restated as described in Note 3.B.

	Fund Balances 12/31/09	Restated Fund Balances 12/31/08	Increase (Decrease)
Major funds:			
General	\$ 1,805,940	\$ 1,652,792	\$ 153,148
Other nonmajor governmental funds	<u>2,791,862</u>	<u>2,799,188</u>	<u>(7,326)</u>
Total	<u>\$ 4,597,802</u>	<u>\$ 4,451,980</u>	<u>\$ 145,822</u>

CITY OF STREETSBORO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

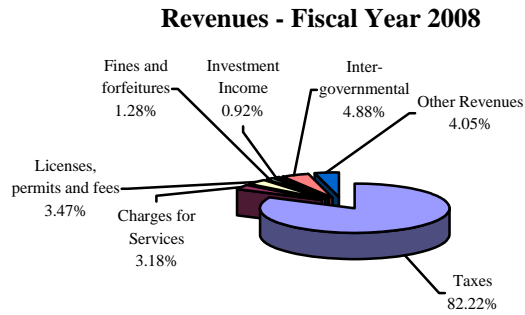
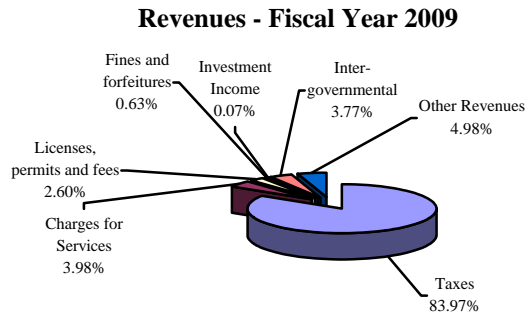
General Fund

The City's general fund balance increased \$153,148 or 9.27% from 2008. The table that follows assists in illustrating the revenues of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,441,495	\$ 7,244,818	16.52 %
Charges for services	400,171	280,568	42.63 %
Licenses, permits and fees	261,373	306,005	(14.59) %
Fines and forfeitures	63,068	113,042	(44.21) %
Intergovernmental	379,715	428,860	(11.46) %
Investment income	7,432	81,196	(90.85) %
Other	<u>500,211</u>	<u>356,661</u>	40.25 %
Total	<u>\$ 10,053,465</u>	<u>\$ 8,811,150</u>	14.10 %

Tax revenue represents 83.97% of all general fund revenue. Taxes increased 16.52% during 2009 due to voters approving an increase from 1% to 2% on May 5th, 2009. The most significant increases in revenue occurred in charges for services. The increase in charges for services can be attributed to an increase in charges received for ambulance services. The decrease in licenses, permits and fees is primarily due to a decrease in building permits. Intergovernmental revenue decreased due to a decrease in local government revenue. Investment income decreased due to decreases in interest rates. Other revenues increased primarily due to an increase in cable franchise fees.

The graphs below display general fund revenues by category for 2009 and 2008:



CITY OF STREETSBORO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

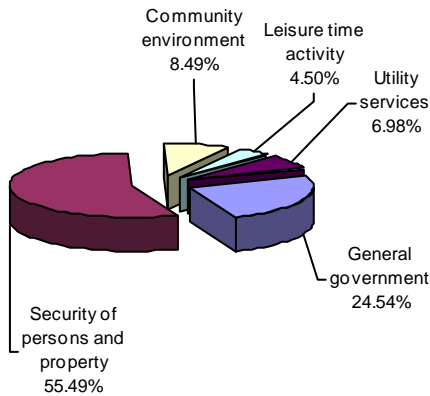
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,392,641	\$ 2,248,337	6.42 %
Security of persons and property	5,409,899	5,093,627	6.21 %
Community environment	827,682	678,677	21.96 %
Leisure time activity	438,573	372,122	17.86 %
Utility services	<u>680,444</u>	<u>880,762</u>	(22.74) %
Total	<u>\$ 9,749,239</u>	<u>\$ 9,273,525</u>	5.13 %

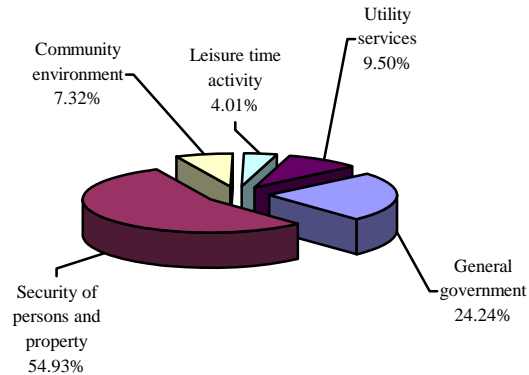
Security of persons and property increased \$316,272 over the prior fiscal year. This is due to increasing costs in wages and benefits for the City's police and fire departments. Community environment increased \$149,005 over the prior fiscal year. This increase was primarily due to increases in expenditures for the planning department. Leisure-time activity expenditures increase \$66,451 over the prior fiscal year. This increase was primarily due to increased expenditures for the City's parks. Utility services decreased \$200,318 over the prior fiscal year. This decrease is primarily due to a decrease in fuel and maintenance costs for the City's service vehicles.

The graphs below display general fund expenditures by function for 2009 and 2008:

Expenditures - 2009



Expenditures - 2008



Budgeting Highlights

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

CITY OF STREETSBORO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

In the general fund, the actual revenues and other financing sources came in \$1,106,478 more than they were in the final budget and actual expenditures were \$469,961 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues stayed the same from the original to the final budget as no supplemental certificates of estimated resources were approved by the Budget Commission prior to December 31, 2009. Budgeted expenditures increased \$285,848 from the original to the final budget.

Proprietary Fund

The City's proprietary fund provides the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The City had no internal balances between business-type activities and governmental activities at December 31, 2009.

Capital Assets and Debt Administration

Capital Assets

At the end of 2009, the City had \$18,394,803, net of accumulated depreciation, invested in land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. Of this total, \$12,194,387 was reported in governmental activities and \$6,200,416 was reported in business-type activities. The following table shows December 31, 2009 balances compared to December 31, 2008.

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

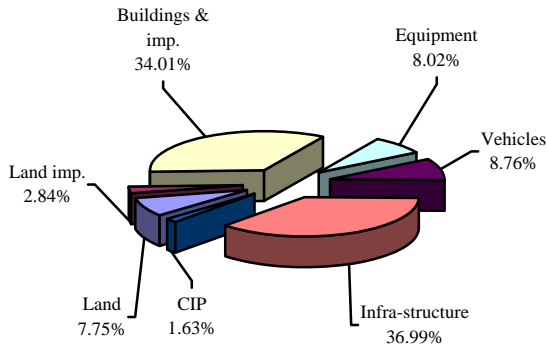
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 945,240	\$ 945,240	\$ -	\$ -	\$ 945,240	\$ 945,240
Construction-in-progress	198,215	-	-	1,692,696	198,215	1,692,696
Land improvements	346,269	396,256	-	-	346,269	396,256
Buildings and improvements	4,147,321	4,242,308	-	-	4,147,321	4,242,308
Equipment	978,590	961,781	220,464	141,327	1,199,054	1,103,108
Vehicles	1,067,833	651,964	225,815	163,107	1,293,648	815,071
Infrastructure	<u>4,510,919</u>	<u>4,595,264</u>	<u>5,754,137</u>	<u>4,258,369</u>	<u>10,265,056</u>	<u>8,853,633</u>
Totals	<u>\$ 12,194,387</u>	<u>\$11,792,813</u>	<u>\$ 6,200,416</u>	<u>\$ 6,255,499</u>	<u>\$ 18,394,803</u>	<u>\$ 18,048,312</u>

CITY OF STREETSBORO, OHIO

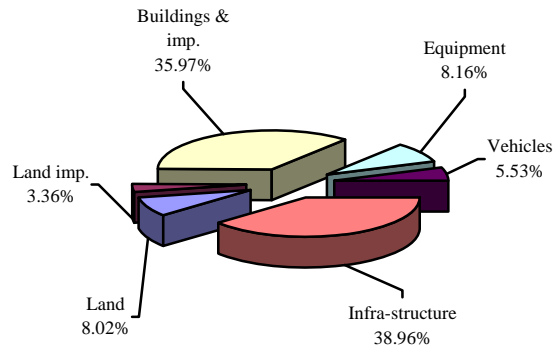
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

The following graphs show the breakdown of governmental capital assets by category for 2009 and 2008.

Capital Assets - Governmental Activities 2009



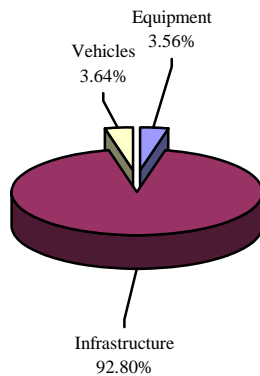
Capital Assets - Governmental Activities 2008



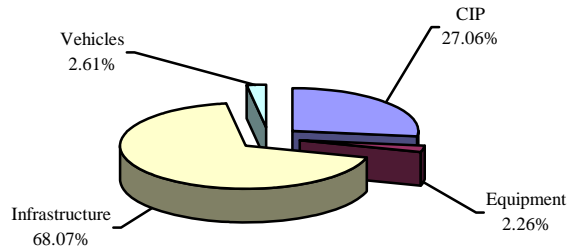
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The City only began reporting infrastructure in fiscal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

The following graphs show the breakdown of business-type capital assets by category for 2009 and 2008.

Capital Assets - Business-Type Activities 2009



Capital Assets - Business-Type Activities 2008



The City's largest business-type capital asset category is infrastructure for water lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 92.80% of the City's total business-type capital assets.

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

CITY OF STREETSBORO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)

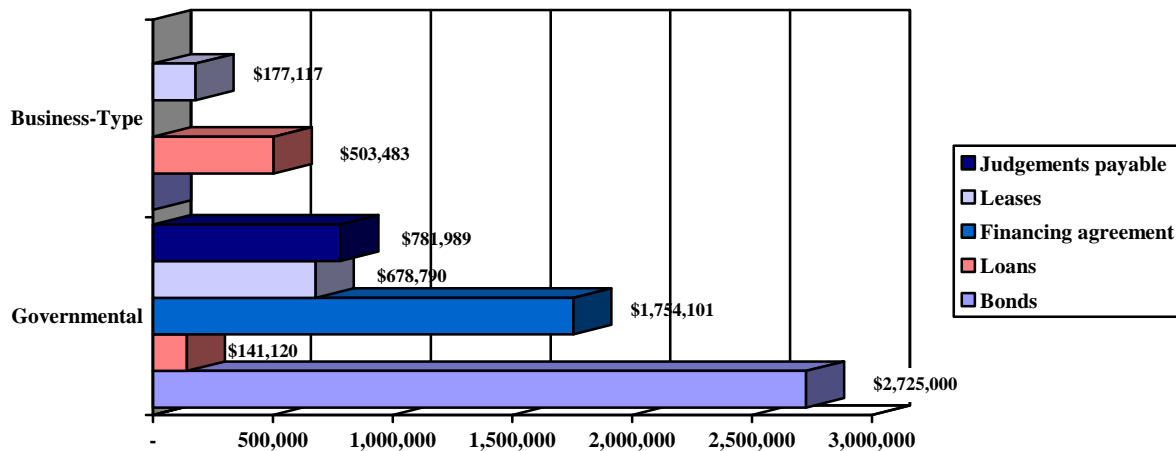
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2009 and 2008. The long-term obligations at December 31, 2008 have been restated as described in Note 3B.

	Governmental Activities	
	<u>2009</u>	Restated <u>2008</u>
General obligation bonds payable	\$ 2,725,000	\$ 3,025,000
OPWC loans	141,120	170,948
Tax incremental financing agreement	1,754,101	1,858,282
Capital lease obligation payable	678,790	532,533
Judgements payable	<u>781,989</u>	<u>781,989</u>
Total long-term obligations	<u>\$ 6,081,000</u>	<u>\$ 6,368,752</u>
	Business-type Activities	
	<u>2009</u>	<u>2008</u>
OWDA Loans	\$ 503,483	\$ 513,423
OPWC Loans	-	8,180
Capital lease obligation payable	<u>177,117</u>	<u>335,962</u>
Total long-term obligations	<u>\$ 680,600</u>	<u>\$ 857,565</u>

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

Long-term obligations



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

CITY OF STREETSBORO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Economic Conditions and Outlook

The following economic factors were taken into consideration in preparing the budget for 2010:

The City has an unemployment rate currently of 10.7% compared to the 10.1% state average and the 9.8% national average.

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

The City's budgets were forecast conservatively for 2010 based on local, state and national economic conditions and trends. The service needs of the citizens of Streetsboro were taken into account as were the ongoing financial condition of the City and any applicable budgetary constraints.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Ted Gordon, Director of Finance, City of Streetsboro, 9184 State Route 43, Streetsboro, Ohio 44241.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF STREETSBORO, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 3,192,588	\$ 2,351,378	\$ 5,543,966
Receivables (net of allowances for uncollectibles):			
Income taxes	2,588,343	-	2,588,343
Real and other taxes	1,240,530	-	1,240,530
Accounts	265,184	450,380	715,564
Special assessments	151,945	-	151,945
Due from other governments	599,567	-	599,567
Prepayments	5,367	6,075	11,442
Materials and supplies inventory	42,170	-	42,170
Loans receivable	219,380	-	219,380
Capital assets:			
Land and construction in progress.	1,143,455	-	1,143,455
Depreciable capital assets, net	11,050,932	6,200,416	17,251,348
Total capital assets, net	<u>12,194,387</u>	<u>6,200,416</u>	<u>18,394,803</u>
 Total assets.	 <u>20,499,461</u>	 <u>9,008,249</u>	 <u>29,507,710</u>
Liabilities:			
Accounts payable.	75,252	3,513	78,765
Retainage payable.	-	17,305	17,305
Accrued wages and benefits	101,996	6,916	108,912
Due to other governments	113,657	112,614	226,271
Unearned revenue.	1,159,451	-	1,159,451
Accrued interest payable.	6,036	-	6,036
Pension obligation payable.	168,162	4,628	172,790
Long-term liabilities:			
Due within one year	808,660	181,605	990,265
Due in more than one year	5,560,999	511,708	6,072,707
 Total liabilities	 <u>7,994,213</u>	 <u>838,289</u>	 <u>8,832,502</u>
Net assets:			
Invested in capital assets, net of related debt	8,649,477	5,642,714	14,292,191
Restricted for:			
Capital projects.	1,150,597	-	1,150,597
Debt service	555,965	-	555,965
Transportation projects.	650,580	-	650,580
Community development projects	552,914	-	552,914
Recreation.	83,937	-	83,937
Cemetery.	79,712	-	79,712
Convention and visitor's bureau.	31,343	-	31,343
Police and fire departments.	198,185	-	198,185
Other purposes	24,544	-	24,544
Unrestricted.	527,994	2,527,246	3,055,240
 Total net assets	 <u>\$ 12,505,248</u>	 <u>\$ 8,169,960</u>	 <u>\$ 20,675,208</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,617,179	\$ 650,170	\$ 10,000	\$ -
Security of persons and property.	5,984,715	656,235	45,850	-
Public health and welfare	34,247	25,475	-	-
Transportation	949,330	-	819,013	198,215
Community environment.	859,585	205,507	-	-
Leisure time activity.	529,846	76,283	4,952	-
Economic development.	300	-	-	-
Utility services	777,657	3,345	-	-
Interest and fiscal charges.	185,279	-	-	-
Total governmental activities	11,938,138	1,617,015	879,815	198,215
Business-type activities:				
Water	2,378,866	2,592,509	-	-
Total business-type activities	2,378,866	2,592,509	-	-
Total primary government.	\$ 14,317,004	\$ 4,209,524	\$ 879,815	\$ 198,215
General revenues:				
Property taxes levied for:				
General purposes.				
Debt service				
Police pension				
Convention and visitors				
Income taxes levied for:				
General purposes.				
Capital projects				
Other local taxes.				
Grants and entitlements not restricted to specific programs.				
Investment earnings				
Miscellaneous				
Total general revenues.				
Transfers.				
Change in net assets.				
Net assets at beginning of year				
Net assets at end of year.				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (1,957,009)	\$ -	\$ (1,957,009)
(5,282,630)	-	(5,282,630)
(8,772)	-	(8,772)
67,898	-	67,898
(654,078)	-	(654,078)
(448,611)	-	(448,611)
(300)	-	(300)
(774,312)	-	(774,312)
(185,279)	-	(185,279)
<u>(9,243,093)</u>	<u>-</u>	<u>(9,243,093)</u>
-	213,643	213,643
-	213,643	213,643
<u>(9,243,093)</u>	<u>213,643</u>	<u>(9,029,450)</u>
874,742	-	874,742
325,674	-	325,674
138,761	-	138,761
105,525	-	105,525
6,603,187	-	6,603,187
385,121	-	385,121
429,617	-	429,617
418,133	-	418,133
17,322	4,118	21,440
79,607	106,598	186,205
<u>9,377,689</u>	<u>110,716</u>	<u>9,488,405</u>
<u>(35,621)</u>	<u>35,621</u>	<u>-</u>
98,975	359,980	458,955
<u>12,406,273</u>	<u>7,809,980</u>	<u>20,216,253</u>
<u>\$ 12,505,248</u>	<u>\$ 8,169,960</u>	<u>\$ 20,675,208</u>

CITY OF STREETSBORO, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 835,095	\$ 2,357,493	\$ 3,192,588
Receivables (net of allowance for uncollectibles):			
Income taxes.	2,458,927	129,416	2,588,343
Real and other taxes.	815,257	425,273	1,240,530
Accounts	200,640	64,544	265,184
Special assessments.	-	151,945	151,945
Due from other governments	212,705	386,862	599,567
Loans receivable	-	219,380	219,380
Prepayments.	5,367	-	5,367
Materials and supplies inventory	5,128	37,042	42,170
Total assets	<u>\$ 4,533,119</u>	<u>\$ 3,771,955</u>	<u>\$ 8,305,074</u>
Liabilities:			
Accounts payable	\$ 60,976	\$ 14,276	\$ 75,252
Accrued wages and benefits.	84,780	17,216	101,996
Due to other governments.	113,407	250	113,657
Pension obligation payable	164,325	3,837	168,162
Deferred revenue	1,544,051	544,703	2,088,754
Unearned revenue.	759,640	399,811	1,159,451
Total liabilities	<u>2,727,179</u>	<u>980,093</u>	<u>3,707,272</u>
Fund balances:			
Reserved for encumbrances.	227,414	296,887	524,301
Reserved for prepayments	5,367	-	5,367
Reserved for materials and supplies inventory	5,128	37,042	42,170
Reserved for loans receivable.	-	219,380	219,380
Reserved for debt service.	-	381,034	381,034
Unreserved, undesignated, reported in:			
General fund	1,568,031	-	1,568,031
Special revenue funds	-	996,382	996,382
Capital projects funds	-	861,137	861,137
Total fund balances	<u>1,805,940</u>	<u>2,791,862</u>	<u>4,597,802</u>
Total liabilities and fund balances.	<u>\$ 4,533,119</u>	<u>\$ 3,771,955</u>	<u>\$ 8,305,074</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

Total governmental fund balances		\$ 4,597,802
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,194,387
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Real and other taxes receivable	\$ 54,758	
Income taxes receivable	1,252,456	
Accounts receivable	229,580	
Special assessments receivable	151,945	
Due from other governments	<u>400,015</u>	
Total		2,088,754
On the statement of net assets interest is accrued on outstanding bonds payable, whereas in governmental funds, interest is accrued when due.		(6,036)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
General obligation bonds payable	(2,725,000)	
OPWC loans	(141,120)	
Tax incremental financing agreement	(1,754,101)	
Capital lease payable	(678,790)	
Judgements payable	(781,989)	
Compensated absences	<u>(288,659)</u>	
Total		<u>(6,369,659)</u>
Net assets of governmental activities		<u>\$ 12,505,248</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Municipal income taxes	\$ 7,136,221	\$ 579,939	\$ 7,716,160
Property and other taxes	1,305,274	566,954	1,872,228
Charges for services	400,171	215,362	615,533
Licenses and permits	261,373	-	261,373
Fines and forfeitures	63,068	779	63,847
Intergovernmental	379,715	1,114,489	1,494,204
Special assessments	-	132,480	132,480
Investment income	7,432	3,082	10,514
Rental income	-	420	420
Contributions and donations	-	10,000	10,000
Repayment of loan	-	7,494	7,494
Other	500,211	83,997	584,208
Total revenues	<u>10,053,465</u>	<u>2,714,996</u>	<u>12,768,461</u>
Expenditures:			
Current:			
General government	2,392,641	129,176	2,521,817
Security of persons and property	5,409,899	190,869	5,600,768
Public health and welfare	-	24,221	24,221
Transportation	-	735,632	735,632
Community environment	827,682	-	827,682
Leisure time activity	438,573	50,615	489,188
Economic development	-	300	300
Utility services	680,444	-	680,444
Capital outlay	-	1,233,329	1,233,329
Debt service:			
Principal retirement	-	652,388	652,388
Interest and fiscal charges	-	185,885	185,885
Total expenditures	<u>9,749,239</u>	<u>3,202,415</u>	<u>12,951,654</u>
Excess (deficiency) of revenues over (under) expenditures	<u>304,226</u>	<u>(487,419)</u>	<u>(183,193)</u>
Other financing sources (uses):			
Capital lease transactions	-	364,636	364,636
Transfers in	9,033	160,111	169,144
Transfers out	(160,111)	(44,654)	(204,765)
Total other financing sources (uses)	<u>(151,078)</u>	<u>480,093</u>	<u>329,015</u>
Net change in fund balances	153,148	(7,326)	145,822
Fund balances at beginning of year (restated) .	<u>1,652,792</u>	<u>2,799,188</u>	<u>4,451,980</u>
Fund balances at end of year	<u>\$ 1,805,940</u>	<u>\$ 2,791,862</u>	<u>\$ 4,597,802</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net change in fund balances - total governmental funds \$ 145,822

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

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

Capital outlays	\$ 1,190,267	
Depreciation expense	(768,372)	
Total		421,895

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (20,321)

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

Property taxes	8,717	
Municipal income taxes	(727,852)	
Charges for services	71,450	
Special assessments	(28,299)	
Intergovernmental	(19,743)	
Total		(695,727)

Proceeds of capital lease transaction are reported as an other financing source in the governmental funds, but they increase liabilities on the statement of net assets. (364,636)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 606

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

General obligation bonds	300,000	
Tax incremental financing agreement	104,181	
Capital lease obligations	218,379	
Long-term loans	29,828	
Total		652,388

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

Compensated absences	(41,052)	
Total		(41,052)

Change in net assets of governmental activities \$ 98,975

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 6,019,273	\$ 6,019,273	\$ 6,790,946	\$ 771,673
Property and other taxes	1,160,733	1,160,733	1,309,539	148,806
Charges for services	343,475	343,475	387,509	44,034
Licenses and permits.	231,673	231,673	261,373	29,700
Fines and forfeitures	57,094	57,094	64,413	7,319
Intergovernmental	360,646	360,646	406,881	46,235
Investment income.	6,587	6,587	7,432	845
Other	443,371	443,371	500,211	56,840
Total revenues.	<u>8,622,852</u>	<u>8,622,852</u>	<u>9,728,304</u>	<u>1,105,452</u>
Expenditures:				
Current:				
General government	2,533,616	2,602,294	2,489,382	112,912
Security of persons and property	5,760,844	5,917,000	5,660,264	256,736
Community environment	884,712	908,693	869,265	39,428
Leisure time activity	461,863	474,383	453,800	20,583
Utility services	741,367	761,463	728,423	33,040
Total expenditures	<u>10,382,402</u>	<u>10,663,833</u>	<u>10,201,134</u>	<u>462,699</u>
Excess of expenditures over revenues	<u>(1,759,550)</u>	<u>(2,040,981)</u>	<u>(472,830)</u>	<u>1,568,151</u>
Other financing sources (uses):				
Transfers in.	8,007	8,007	9,033	1,026
Transfers (out)	<u>(162,956)</u>	<u>(167,373)</u>	<u>(160,111)</u>	<u>7,262</u>
Total other financing sources (uses)	<u>(154,949)</u>	<u>(159,366)</u>	<u>(151,078)</u>	<u>8,288</u>
Net change in fund balance	(1,914,499)	(2,200,347)	(623,908)	1,576,439
Fund balance at beginning of year	956,645	956,645	956,645	-
Prior year encumbrances appropriated	253,371	253,371	253,371	-
Fund balance at end of year	<u>\$ (704,483)</u>	<u>\$ (990,331)</u>	<u>\$ 586,108</u>	<u>\$ 1,576,439</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 DECEMBER 31, 2009

	Business-Type Activities	
	Enterprise Fund	
	Water	
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$	2,351,378
Receivables (net of allowance for uncollectibles):		
Accounts		450,380
Prepayments.		6,075
Total current assets		<u>2,807,833</u>
Noncurrent assets:		
Capital assets:		
Depreciable capital assets, net		6,200,416
Total capital assets		<u>6,200,416</u>
Total assets		<u>9,008,249</u>
Liabilities:		
Current liabilities:		
Accounts payable.		3,513
Retainage payable.		17,305
Accrued wages and benefits		6,916
Compensated absences		4,759
Due to other governments		112,614
Pension obligation payable		4,628
Capital lease obligation - current.		166,402
OWDA loans payable - current		10,444
Total current liabilities		<u>326,581</u>
Long-term liabilities:		
Capital lease obligation.		10,715
OWDA loans payable		493,039
Compensated absences		7,954
Total long-term liabilities		<u>511,708</u>
Total liabilities		<u>838,289</u>
Net assets:		
Invested in capital assets, net of related debt.		5,642,714
Unrestricted		2,527,246
Total net assets	\$	<u><u>8,169,960</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities
	Enterprise Fund
	<u>Water</u>
Operating revenues:	
Charges for services	\$ 2,592,509
Other	106,598
	<hr/>
Total operating revenues	2,699,107
	<hr/>
Operating expenses:	
Personal services	558,239
Contract services	1,349,983
Materials and supplies	46,299
Utilities	37,178
Depreciation	344,755
Other	511
	<hr/>
Total operating expenses	2,336,965
	<hr/>
Operating income	362,142
	<hr/>
Nonoperating revenues (expenses):	
Interest revenue	4,118
Interest expense and fiscal charges	(41,901)
	<hr/>
Total nonoperating revenues (expenses)	(37,783)
	<hr/>
Income before transfers	324,359
Transfers in	35,621
	<hr/>
Changes in net assets	359,980
Net assets at beginning of year	7,809,980
	<hr/>
Net assets at end of year	\$ 8,169,960
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF STREETSBORO, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities	
	Enterprise Fund	
	Water	
Cash flows from operating activities:		
Cash received from customers	\$	2,454,014
Cash received from other operations.		106,598
Cash payments for personal services		(566,740)
Cash payments for contract services		(1,336,432)
Cash payments for materials and supplies		(46,991)
Cash payments for utilities.		(38,359)
Cash payments for other expenses		(511)
		<hr/>
Net cash provided by operating activities		571,579
		<hr/>
Cash flows from noncapital financing activities:		
Cash received from transfers in		35,621
		<hr/>
Net cash provided by noncapital financing activities		35,621
		<hr/>
Cash flows from capital and related financing activities:		
Acquisition of capital assets		(272,367)
Principal retirement on OWDA loans.		(9,940)
Principal retirement on OPWC loans.		(8,180)
Principal retirement on capital leases.		(158,845)
Interest and fiscal charges.		(41,901)
		<hr/>
Net cash used in capital and related financing activities		(491,233)
		<hr/>
Cash flows from investing activities:		
Interest received.		4,118
		<hr/>
Net cash provided by investing activities		4,118
		<hr/>
Net increase in cash and cash equivalents		120,085
		<hr/>
Cash and cash equivalents at beginning of year. . . .		2,231,293
Cash and cash equivalents at end of year	\$	<u>2,351,378</u>

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CITY OF STREETSBORO, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities	
	Enterprise Fund	
	Water	
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	362,142
Adjustments:		
Depreciation		344,755
Changes in assets and liabilities:		
(Increase) in accounts receivable		(138,495)
(Increase) in prepayments		(652)
Increase in accounts payable.		1,144
(Decrease) in accrued wages and benefits.		(9,743)
Increase in pension obligation payable		1,144
Increase in due to other governments		10,451
Increase in compensated absences payable		833
Net cash provided by operating activities	\$	<u>571,579</u>

Non-cash transactions:

At December 31, 2009 the water fund purchased \$17,305 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2009**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 101,472
Total assets.	<u>\$ 101,472</u>
Liabilities:	
Undistributed monies	\$ 101,472
Total liabilities	<u>\$ 101,472</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

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

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

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

C. Fund Accounting

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

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

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

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

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

CITY OF STREETSBORO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

E. Basis of Accounting

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

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2009, are recorded as deferred revenue.

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

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

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

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

F. Budgetary Data

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

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

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificates of estimated resources issued during 2009.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the transfers, advances and total of all other expenditures for all funds. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council prior to December 31, 2009.

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

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

G. Cash and Cash Equivalents

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

During 2009, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2009.

Investment income is distributed to the funds according to charter and statutory requirements. Interest revenue credited to the general fund during 2009 amounted to \$7,432 which includes \$4,854 assigned from other City funds.

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

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

H. Inventories of Materials and Supplies

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

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

I. Capital Assets

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

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

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

J. Compensated Absences

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

In conformity with GASB Statement No. 16, “Accounting for Compensated Absences”, vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31, 2009 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

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

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

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

L. Intergovernmental Revenues

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Interfund Activity

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

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

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

CITY OF STREETSBORO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

O. Fund Balance Reserves

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

P. Estimates

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

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount of net assets restricted for other purposes represents amounts restricted for street lighting, litter, theater, seniors, City beautification and heritage preservation.

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

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for services for the water program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2009, the City has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", and GASB Statement No. 57 "Other Postemployment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employers".

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the City.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the City.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the City.

GASB Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the City.

B. Prior Period Adjustment/Restatement of Fund Balance

During 2009, the Ohio Department of Transportation (ODOT) agreed to allow the City to pay back the judgment payable related to the State Route 43 project over the course of seven years beginning in 2010. Since the judgment payable is not expected to be liquidated with current financial resources, the amount due of \$781,989 should be considered a long-term obligation as opposed to a fund liability in the State Route 43 widening fund (a nonmajor governmental fund). The restatement had the following effect on fund balance of the governmental activities as previously reported:

	General Fund	Other Governmental Funds	Total
Fund balances previously reported	\$ 1,652,792	\$ 2,017,199	\$ 3,669,991
Effect of judgments payable being reported as a long-term obligation	-	781,989	781,989
Restated fund balance at December 31, 2008	\$ 1,652,792	\$ 2,799,188	\$ 4,451,980

See Note 12 for the effect of the judgment payable on long-term obligations.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Legal Compliance

Contrary to Section 5705.39, Ohio Revised Code, the following funds had final appropriations in excess of final certifications of estimated resources plus beginning balances:

	<u>Final Estimated Resources Plus Beginning Balances</u>	<u>Final Appropriations</u>	<u>Excess</u>
<u>Major Fund:</u>			
General Fund	\$ 9,587,504	\$ 10,577,835	\$ 990,331
<u>Nonmajor Funds:</u>			
Volunteer Fire Department grant	-	74,221	74,221
Convention & Visitors	34,702	123,771	89,069
Streetsboro Crossing MPITE	80,000	104,181	24,181

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At December 31, 2009, the carrying amount of all City deposits was \$155,089 exclusive of the \$1,760,756 repurchase agreements included in investment below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, \$83,535 of the City's bank balance of \$550,836 was exposed to custodial risk as discussed below, while \$467,301 was covered by the FDIC.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Investments

As of December 31, 2009, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or Less</u>
Repurchase agreements	\$ 1,760,756	\$ 1,760,756
STAR Ohio	<u>3,729,093</u>	<u>3,729,093</u>
Total	<u>\$ 5,489,849</u>	<u>\$ 5,489,849</u>

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City’s \$1,760,756 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment’s counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreements	\$ 1,760,756	32.07
STAR Ohio	<u>3,729,093</u>	<u>67.93</u>
Total	<u>\$ 5,489,849</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 155,089
Investments	5,489,849
Cash on hand	<u>500</u>
Total	<u>\$ 5,645,438</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,192,588
Business type activities	2,351,378
Agency fund	<u>101,472</u>
Total	<u>\$ 5,645,438</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2009, consisted of the following, as reported in the fund financial statements:

Transfers from general fund to:

Nonmajor governmental	\$ 160,111
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Transfers from nonmajor governmental funds to:

General fund	9,033
Water fund	<u>35,621</u>

Total	<u>\$ 204,765</u>
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - INTERFUND TRANSFERS - (Continued)

The transfers from the theater fund (a nonmajor governmental fund) and the heritage preservation fund (a nonmajor governmental fund) were for residual equity transfers. The transfers out of the nonmajor governmental debt service funds into the water enterprise fund represent the transfer of debt principal and interest payments to the fund which reports the debt as a fund liability. Transfers between governmental funds are eliminated in the statement of activities. Transfers between the governmental funds and business-type activities appear as transfers on the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Streetsboro. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

CITY OF STREETSBORO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2009 was \$2.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 258,466,920
Commercial/Industrial/Mineral	170,405,150
Tangible Personal Property	298,495
<u>Public Utility</u>	
Real	21,500
Personal	<u>6,290,680</u>
Total Assessed Value	<u>\$ 435,482,745</u>

NOTE 7 - LOCAL INCOME TAX

The City levies and collects an income tax of 2.0% on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a 100% tax credit of 2% for the tax paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly.

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

Income tax revenues are distributed to the general and capital improvement funds. Total income tax revenues were \$7,716,160 in 2009.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2009, consisted of taxes, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2009, as well as intended to finance 2009 operations.

The loan receivable at December 31, 2009, represents revolving loans made to private enterprises under the United States Department of Housing and Urban Development Community Development Block Grant Program. The loans are due on February 21, 2015 and January 1, 2018 and bear interest rates of 5%. The loans are administered by Neighborhood Development Services.

CITY OF STREETSBORO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 8 - RECEIVABLES - (Continued)

A summary of the intergovernmental receivables follows:

Governmental activities:	<u>Amounts</u>
Local government state support	\$ 173,678
Motor vehicle and gas tax	350,148
Other	5,155
Homestead and rollback	51,724
Permissive license tax	<u>18,862</u>
Total	<u>\$ 599,567</u>

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

NOTE 9 - SPECIAL ASSESSMENTS

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

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

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - CAPITAL ASSETS

- A. Capital asset activity for governmental activities for the year ended December 31, 2009, was as follows:

	Balance			Balance
Governmental activities:	<u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 945,240	\$ -	\$ -	\$ 945,240
Construction in progress	<u>-</u>	<u>198,215</u>	<u>-</u>	<u>198,215</u>
Total capital assets, not being depreciated	<u>945,240</u>	<u>198,215</u>	<u>-</u>	<u>1,143,455</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,015,619	-	-	1,015,619
Buildings and improvements	5,854,863	26,264	-	5,881,127
Equipment	2,696,692	197,191	-	2,893,883
Vehicles	3,824,898	622,622	(21,676)	4,425,844
Infrastructure	<u>5,675,881</u>	<u>145,975</u>	<u>-</u>	<u>5,821,856</u>
Total capital assets, being depreciated	<u>19,067,953</u>	<u>992,052</u>	<u>(21,676)</u>	<u>20,038,329</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(619,363)	(49,987)	-	(669,350)
Buildings and improvements	(1,612,555)	(121,251)	-	(1,733,806)
Equipment	(1,734,911)	(180,382)	-	(1,915,293)
Vehicles	(3,172,934)	(186,432)	1,355	(3,358,011)
Infrastructure	<u>(1,080,617)</u>	<u>(230,320)</u>	<u>-</u>	<u>(1,310,937)</u>
Total accumulated depreciation	<u>(8,220,380)</u>	<u>(768,372)</u>	<u>1,355</u>	<u>(8,987,397)</u>
Total capital assets, being depreciated, net	<u>10,847,573</u>	<u>223,680</u>	<u>(20,321)</u>	<u>11,050,932</u>
Governmental activities capital assets, net	<u>\$ 11,792,813</u>	<u>\$ 421,895</u>	<u>\$ (20,321)</u>	<u>\$12,194,387</u>

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for business-type activities for the year ended December 31, 2009, was as follows:

Business-type activities:	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Construction in progress	\$ 1,692,696	\$ 99,864	\$ (1,792,560)	\$ -
Total capital assets, not being depreciated	<u>1,692,696</u>	<u>99,864</u>	<u>(1,792,560)</u>	<u>-</u>
<i>Capital assets, being depreciated:</i>				
Machinery and equipment	622,471	104,463	-	726,934
Vehicles	244,693	85,345	-	330,038
Sewer/water lines	<u>8,287,080</u>	<u>1,792,560</u>	<u>-</u>	<u>10,079,640</u>
Total capital assets, being depreciated	<u>9,154,244</u>	<u>1,982,368</u>	<u>-</u>	<u>11,136,612</u>
<i>Less: accumulated depreciation:</i>				
Machinery and equipment	(481,144)	(25,326)	-	(506,470)
Vehicles	(81,586)	(22,637)	-	(104,223)
Sewer/water lines	<u>(4,028,711)</u>	<u>(296,792)</u>	<u>-</u>	<u>(4,325,503)</u>
Total accumulated depreciation	<u>(4,591,441)</u>	<u>(344,755)</u>	<u>-</u>	<u>(4,936,196)</u>
Total capital assets, being depreciated, net	<u>4,562,803</u>	<u>1,637,613</u>	<u>-</u>	<u>6,200,416</u>
Governmental activities capital assets, net	<u>\$ 6,255,499</u>	<u>\$ 1,737,477</u>	<u>\$ (1,792,560)</u>	<u>\$ 6,200,416</u>

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

Governmental activities:	
General government	\$ 71,433
Security of persons and property	322,982
Public health and welfare	10,026
Transportation	208,168
Community environment	25,281
Leisure time activity	40,016
Utility services	<u>90,466</u>
Total depreciation expense - governmental activities	<u>\$ 768,372</u>
Business-type activities:	
Water	<u>\$ 344,755</u>

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

At December 31, 2009, the capital assets under capital lease obligation have been capitalized in the amount of \$1,582,079 and \$133,339 in governmental activities and business-type activities, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2009 was \$803,990 and \$38,540 for governmental activities and business-type activities, respectively, which leaves book values of \$778,089 and \$94,799 for governmental activities and business-type activities, respectively.

For the City, corresponding liabilities were recorded in the governmental activities and business-type activities in the amounts of \$678,790 and \$177,117, respectively. In 2009, principal and interest payments for the governmental activities capital lease obligations totaled \$218,379 and \$26,468, respectively. These payments were made from the capital improvements fund (principal \$180,375) and from the street maintenance and repair nonmajor governmental fund (principal \$38,004). Capital lease payments in governmental fund have been reclassified on the financial statements to reflect debt principal and interest payments. These payments are reported as program expenditures on the budgetary statement. In 2009, principal and interest payments for the business-type activities capital lease obligations totaled \$158,845 and \$16,220, respectively. These payments were made from the water fund. Capital lease principal payments in proprietary funds are reclassified on the financial statements to reflect a reduction in the capital lease obligation remaining.

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2009:

Year Ending December 31,	Governmental Activities	Business-Type Activities	Total
2010	\$ 284,911	\$ 175,065	\$ 459,976
2011	167,541	4,774	172,315
2012	136,380	4,775	141,155
2013	117,370	2,389	119,759
2014	<u>65,761</u>	-	<u>65,761</u>
Total future minimum lease payments	771,963	187,003	958,966
Less: amount representing interest	<u>(93,173)</u>	<u>(9,886)</u>	<u>(103,059)</u>
Present value of future minimum lease payments	<u>\$ 678,790</u>	<u>\$ 177,117</u>	<u>\$ 855,907</u>

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

Of the \$177,117 capital lease obligations for business-type activities, \$122,898 relates to the acquisition of equipment which was individually less than the City's capitalization threshold of \$5,000 and, therefore, not capitalized. This portion of the capital lease obligations is excluded from the calculation of net assets, invested in capital assets, net of related debt for the business-type activities at December 31, 2009.

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities

During 2009, the following changes occurred in the City's governmental activities long-term obligations. The balance at December 31, 2008 has been restated to properly account for judgments payable as described in Note 3.B.

	Restated Balance 12/31/08	Additions	Reductions	Balance 12/31/09	Amounts Due in One Year
Governmental activities:					
<u>General obligation bonds</u>					
1999 various purpose bonds - 3.90% to 5.55%	\$ 3,025,000	\$ -	\$ (300,000)	\$ 2,725,000	\$ 270,000
Total general obligation bonds	<u>3,025,000</u>	<u>-</u>	<u>(300,000)</u>	<u>2,725,000</u>	<u>270,000</u>
<u>OPWC loans</u>					
St. Rt. 14 resurfacing, due 2011- 0%	30,000	-	(10,000)	20,000	10,000
Aurora, Hudson and Wellman, due 2017 - 0%	51,264	-	(6,031)	45,233	6,031
St. Rt. 303, Superior/Mt. Vernon, due 2015 - 0%	<u>89,684</u>	<u>-</u>	<u>(13,797)</u>	<u>75,887</u>	<u>13,797</u>
Total OPWC loans	<u>170,948</u>	<u>-</u>	<u>(29,828)</u>	<u>141,120</u>	<u>29,828</u>
<u>Other long-term obligations</u>					
Tax incremental financing agreement	1,858,282	-	(104,181)	1,754,101	100,000
Capital lease obligations	532,533	364,636	(218,379)	678,790	248,299
Judgments payable	781,989	-	-	781,989	65,000
Compensated absences	<u>247,607</u>	<u>106,446</u>	<u>(65,394)</u>	<u>288,659</u>	<u>95,533</u>
Total long-term obligations	<u>3,420,411</u>	<u>471,082</u>	<u>(387,954)</u>	<u>3,503,539</u>	<u>508,832</u>
Total governmental activities long-term obligations	<u>\$ 6,616,359</u>	<u>\$ 471,082</u>	<u>\$ (717,782)</u>	<u>\$ 6,369,659</u>	<u>\$ 808,660</u>

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

General obligation bonds - In 1999, the City issued \$5,135,000 in general obligation bonds for various improvements that mature in 2019. The issue is comprised of current interest bonds with an annual interest rate ranging from 3.90% - 5.55%. The bonds are backed by the full faith and credit of the City and are payable from taxes levied on all taxable property. The bonds are paid by the general bond retirement fund and the police station bond retirement fund, which are both nonmajor governmental funds.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

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

Judgments payable - During the State Route 43 project, the City retained services of an outside consultant. The consultant and the City approved change orders related to the project. However, the Ohio Department of Transportation (ODOT) was not notified of these orders. Since ODOT and the City shared the costs associated with the project, ODOT's position is that it should be reimbursed for the change order of which it was not notified. The balance due to ODOT is \$781,989. ODOT has agreed to a 0% interest repayment schedule with the first payment due April 1, 2010 and the final payment due April 1, 2016.

Capital lease obligations - See Note 11 for lease details.

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

<u>Year</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 270,000	\$ 144,868	\$ 414,868
2011	235,000	131,368	366,368
2012	250,000	119,383	369,383
2013	265,000	106,383	371,383
2014	285,000	92,470	377,470
2015 - 2019	1,420,000	230,831	1,650,831
Total	\$ 2,725,000	\$ 825,303	\$ 3,550,303

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

<u>Year</u>	OPWC Loans		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 29,828	\$ -	\$ 29,828
2011	29,829	-	29,829
2012	19,829	-	19,829
2013	19,830	-	19,830
2014	19,829	-	19,829
2015 - 2017	21,975	-	21,975
Total	\$ 141,120	\$ -	\$ 141,120

<u>Year</u>	Judgments Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 65,000	\$ -	\$ 65,000
2011	100,000	-	100,000
2012	130,000	-	130,000
2013	130,000	-	130,000
2014	130,000	-	130,000
2015 - 2016	226,989	-	226,989
Total	\$ 781,989	\$ -	\$ 781,989

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-Type Activities

The following changes occurred in the City's business-type long-term obligations during 2009:

Business-type activities:	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/09</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>OWDA loan</u>					
Briar Root Manor Waterline, due 2034 - 5.01%	\$ 513,423	\$ -	\$ (9,940)	\$ 503,483	\$ 10,444
Total OWDA loans	<u>513,423</u>	<u>-</u>	<u>(9,940)</u>	<u>503,483</u>	<u>10,444</u>
<u>OPWC loans</u>					
Frost Rd waterline, due 2009 - 0%	8,180	-	(8,180)	-	-
Total OPWC loans	<u>8,180</u>	<u>-</u>	<u>(8,180)</u>	<u>-</u>	<u>-</u>
<u>Other long-term obligations</u>					
Compensated absences	11,880	5,523	(4,690)	12,713	4,759
Capital lease obligations	335,962	-	(158,845)	177,117	166,402
Total other long-term obligations	<u>347,842</u>	<u>5,523</u>	<u>(163,535)</u>	<u>189,830</u>	<u>171,161</u>
Total business-type long term obligations	<u>\$ 869,445</u>	<u>\$ 5,523</u>	<u>\$ (181,655)</u>	<u>\$ 693,313</u>	<u>\$ 181,605</u>

OWDA loan - The City has entered into a debt financing arrangement through the Ohio Water Development Authority (OWDA) to fund construction projects. The amount due to the OWDA is payable solely from water revenues. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2009, the City has outstanding borrowings of \$503,483 for a waterline extension project. The loan bears an interest rate of 5.01% and matures on December 31, 2034. The loan is payable from the water fund in semi-annual installments.

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

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

Capital lease obligations - See Note 11 for lease details.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

Year	OWDA Loans		
	Principal	Interest	Total
2010	\$ 10,444	\$ 25,095	\$ 35,539
2011	10,974	24,565	35,539
2012	11,530	24,009	35,539
2013	12,115	23,424	35,539
2014	12,730	22,809	35,539
2015 - 2019	74,016	103,679	177,695
2020 - 2024	94,793	82,902	177,695
2025 - 2029	121,402	56,293	177,695
2030 - 2034	155,479	22,216	177,695
Total	<u>\$ 503,483</u>	<u>\$ 384,992</u>	<u>\$ 888,475</u>

C. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2009, the City's total debt margin was \$43,348,123 and the unvoted debt margin was \$23,933,951.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, the City contracted for the following insurance coverage.

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

There has been no significant reduction in insurance coverage from 2008 and no insurance settlement has exceeded insurance coverage during the last three years.

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

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%. The City's contribution rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63% of covered payroll.

The City's contribution rate for pension benefits for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008 and 2007 were \$239,358, \$198,396 and \$219,868, respectively; 91.97% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2009, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$202,796 and \$193,676 for the year ended December 31, 2009, \$209,328 and \$173,968 for the year ended December 31, 2008 and \$188,254 and \$150,981 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 81.18% has been contributed for police and 69.83% has been contributed for firefighters for 2009.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

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

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

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008 and 2007 were \$172,641, \$198,936 and \$144,824, respectively; 91.97% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

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

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

CITY OF STREETSBORO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$107,362 and \$75,786 for the year ended December 31, 2009, \$109,846 and \$67,643 for the year ended December 31, 2008 and \$99,664 and \$59,080 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 81.18% has been contributed for police and 69.83% has been contributed for firefighters for 2009.

NOTE 16 - COMPENSATED ABSENCES

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

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP); and,

CITY OF STREETSBORO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

Net Change in Fund Balance

	<u>General</u>
Budget basis	\$ (623,908)
Net adjustment for revenue accruals	325,161
Net adjustment for expenditure accruals	202,908
Adjustment for encumbrances	<u>248,987</u>
GAAP basis	<u>\$ 153,148</u>

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2009.

B. Liability

During the State Route 43 project, the City retained services of an outside consultant. The consultant and the City approved change orders related to the project. However, the Ohio Department of Transportation (ODOT) was not notified of these change orders. Since ODOT and the City shared the costs associated with the project, ODOT's position is that it should be reimbursed for the change orders of which it was not notified. The balance due to ODOT is \$781,989.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of Streetsboro's basic financial statements and have issued our report thereon dated June 21, 2010. As disclosed in Note 3.B., the City has restated its other governmental fund balance at December 31, 2008 to properly reflect a change in classification of the judgment payable. 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 of Streetsboro's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City of Streetsboro's internal control over financial reporting. Accordingly we have not opined on the effectiveness of the City of Streetsboro's internal control over financial reporting.

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

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

Members of Council and Mayor
City of Streetsboro

Compliance and Other Matters

As part of reasonably assuring whether the City of Streetsboro's financial statements are free of material misstatements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedules of findings and responses as items 2009-COS-001 and 2009-COS-002.

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

We did note certain matters not requiring inclusion in this report that we reported to the City of Streetsboro's management in a separate letter date June 21, 2010.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
June 21, 2010

**CITY OF STREETSBORO
PORTAGE COUNTY, OHIO**

**SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2009**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2009-COS-001

Ohio Revised Code Section 5705.39 requires that a subdivision’s total appropriations from each fund should not exceed total estimated resources.

The City had total appropriations exceeding total estimated resources in the following funds:

<u>December 31, 2009</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Major Fund:			
General Fund	\$ 9,587,504	\$ 10,577,835	\$ 990,331
NonMajor Funds:			
Volunteer Fire Dept Grant	-	74,221	74,221
Convention & Visitors	34,702	123,771	89,069
Streetsboro Crossing MPITE	80,000	104,181	24,181

With appropriations exceeding estimated resources the City may spend more funds than in the Treasury or in process of collection and cause fund deficits.

We recommend that the City comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the City should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the City should monitor its budgetary process on a regular basis.

Client Response: The City will monitor the budget on a continual basis and make modifications as necessary to ensure appropriations do not exceed estimated resources.

**CITY OF STREETSBORO
PORTAGE COUNTY, OHIO**

**SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2009**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2009-COS-002

Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the City Auditor that revenue to be collected will be greater or less than the amount in the last certified amended certificate.

The City did not request timely amended certificates throughout the year upon notice of increased or decreased resources.

The City is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources, throughout the year and at fiscal year end.

We recommend that the City review its available resources versus its appropriations throughout the year and file amended certificates when necessary. This will facilitate the City's appropriation process.

Client Response: The City is attempting to monitor its budget more closely and to submit additional amendments for estimated resources more frequently throughout the fiscal year and at fiscal year end.

**CITY OF STREETSBORO
PORTAGE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2008-COS-001	Ohio Administrative Code Section 117-2-03(B) requires GAAP basis filing entities to file their report within 150 days of year end.	Yes	N/A
N/A	Finding for Recovery - Thomas J. Wagner, former Mayor of the City of Streetsboro, participated in the City's opt-out insurance benefits program. Under this program, he was entitled to a total of \$5,684 for 2009. After review by the Assistant Finance Director, it was determined that the former Mayor was underpaid for such benefits. In computing the amount owed to the former Mayor as a result of such underpayment, a calculation error occurred. As a result, the former Mayor ended up being overcompensated in the amount of \$481.	No	Finding for recovery is unpaid



Mary Taylor, CPA
Auditor of State

CITY OF STREETSBORO

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 24, 2010**