



**Auditor of State
Betty Montgomery**

**CITY OF STREETSBORO
PORTAGE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

City of Streetsboro
Portage County
9184 State Route 43
Streetsboro, Ohio 44241

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2004, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, and GASB Interpretation No.6. Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Betty Montgomery
Auditor of State

June 30, 2005

CITY OF STREETSBORO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 UNAUDITED

The 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, 2004. 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 2004 are as follows:

- The total net assets of the City increased \$4,200,317. Net assets of governmental activities increased \$3,956,707 or 96.31% and net assets of business-type activities increased \$243,610 or 3.69% over 2003. The primary reason for the increase in the net assets of the governmental activities is due to capital contributions of infrastructure received in 2004 related to the State Route 43 widening project.
- General revenues accounted for \$6,543,172 or 48.32% of total governmental activities revenue. Program specific revenues accounted for \$6,998,509 or 51.68% of total governmental activities revenue.
- The City had \$9,584,974 in expenses related to governmental activities; \$6,998,509 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,586,465 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$6,543,172.
- The general fund had revenues and other financing sources of \$7,648,677 in 2004. This represents an increase of \$1,034,496 from 2003 revenues. The expenditures and other financing uses of the general fund, which totaled \$7,448,918 in 2004, increased \$70,310 from 2003. The net increase in fund balance for the general fund was \$199,759 or 28.04%.
- The Capital Improvement fund had revenues and other financing sources of \$832,345 in 2004. The expenditures in the Capital Improvement fund totaled \$902,655 in 2004. The net decrease in fund balance was \$70,310, resulting in an ending fund balance of \$39,168.
- Net assets for the business-type activities, which is made up of the Water enterprise fund, increased in 2004 by \$243,610. This increase in net assets was due primarily to adequate charges for services revenue to cover operating expenses.
- In the general fund, the actual revenues and other financing sources came in \$32,873 less than they were in the final budget and actual expenditures and other financing uses were \$171,907 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues decreased \$277,943 or 4.00% from the original to the final budget. Original budgeted expenditures were increased \$327,520 in the final budget.

The Basic Financial Statements

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

CITY OF STREETSBORO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 UNAUDITED

The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. 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 remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" 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.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

CITY OF STREETSBORO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 UNAUDITED

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and Capital Improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 21-25 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 26-28 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.

Government-Wide Financial Analysis

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

CITY OF STREETSBORO, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

The table below provides a summary of the City's net assets for 2004:

	Net Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 5,987,325	\$ 2,204,008	\$ 8,191,333
Capital assets, net	<u>12,554,377</u>	<u>5,494,683</u>	<u>18,049,060</u>
Total assets	<u>18,541,702</u>	<u>7,698,691</u>	<u>26,240,393</u>
<u>Liabilities</u>			
Long-term liabilities outstanding	8,820,319	742,175	9,562,494
Other liabilities	<u>1,656,878</u>	<u>102,855</u>	<u>1,759,733</u>
Total liabilities	<u>10,477,197</u>	<u>845,030</u>	<u>11,322,227</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	6,413,764	4,754,294	11,168,058
Restricted	2,287,000	-	2,287,000
Unrestricted (deficit)	<u>(636,259)</u>	<u>2,099,367</u>	<u>1,463,108</u>
Total net assets	<u>\$ 8,064,505</u>	<u>\$ 6,853,661</u>	<u>\$ 14,918,166</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2004, the City's assets exceeded liabilities by \$14,918,166. At year-end, net assets were \$8,064,505 and \$6,853,661 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 68.78% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2004, were \$6,413,764 and \$4,754,294 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, \$2,287,000, 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 a deficit of \$636,259.

CITY OF STREETSBORO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

The table below shows the changes in net assets for fiscal year 2004. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

	Change in Net Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 1,716,429	\$ 2,053,583	\$ 3,770,012
Operating grants and contributions	736,099	-	736,099
Capital grants and contributions	<u>4,545,981</u>	<u>42,352</u>	<u>4,588,333</u>
Total program revenues	<u>6,998,509</u>	<u>2,095,935</u>	<u>9,094,444</u>
General revenues:			
Property taxes	1,467,641	-	1,467,641
Income taxes	4,477,013	-	4,477,013
Unrestricted grants and entitlements	515,429	-	515,429
Investment earnings	68,271	-	68,271
Miscellaneous	<u>14,818</u>	<u>5,076</u>	<u>19,894</u>
Total general revenues	<u>6,543,172</u>	<u>5,076</u>	<u>6,548,248</u>
Total revenues	<u>13,541,681</u>	<u>2,101,011</u>	<u>15,642,692</u>
Expenses:			
General government	2,127,301	-	2,127,301
Security of persons and property	4,345,775	-	4,345,775
Public health and welfare	17,009	-	17,009
Transportation	808,873	-	808,873
Community environment	794,792	-	794,792
Leisure time activity	385,593	-	385,593
Utility services	793,893	-	793,893
Other	8,419	-	8,419
Interest and fiscal charges	303,319	-	303,319
Water	<u>-</u>	<u>1,857,401</u>	<u>1,857,401</u>
Total expenses	<u>9,584,974</u>	<u>1,857,401</u>	<u>11,442,375</u>
Change in net assets	3,956,707	243,610	4,200,317
Net assets at beginning of year (restated)	<u>4,107,798</u>	<u>6,610,051</u>	<u>10,717,849</u>
Net assets at end of year	<u>\$ 8,064,505</u>	<u>\$ 6,853,661</u>	<u>\$ 14,918,166</u>

CITY OF STREETSBORO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Governmental Activities

Governmental activities net assets increased \$3,956,707 in 2004. This increase is primarily due to approximately \$3 million in donated infrastructure received by the City from the Ohio Department of Transportation (ODOT) related to the State Route 43 widening project and due to approximately \$500,000 in donated infrastructure received from developers.

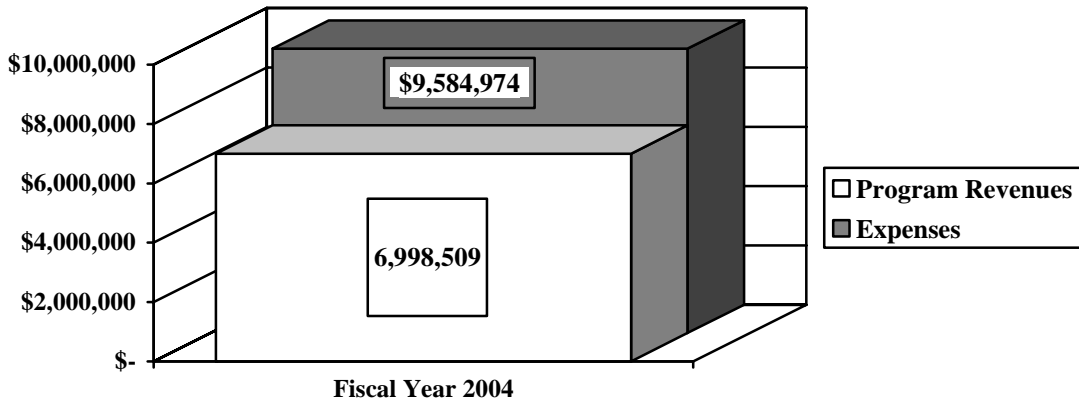
Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$4,345,775 which accounted for 45.34% of the total expenses of the City. These expenses were partially funded by \$366,184 in direct charges to users of the services and \$9,935 in operating grants and contributions. General government expenses totaled \$2,127,301 which was partially funded by \$740,001 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$736,099 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$726,164 subsidized transportation programs and \$9,935 subsidized security of persons and property activities.

General revenues totaled \$6,543,172, and amounted to 48.32% of total governmental activities revenues. These revenues primarily consist of property and income tax revenue of \$5,944,654. 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 \$515,429.

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. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF STREETSBORO, OHIO

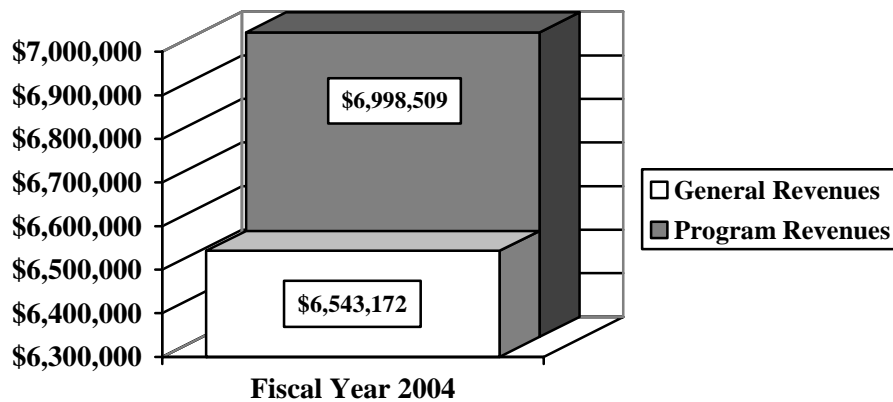
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Governmental Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program Expenses:		
General government	\$ 2,127,301	\$ 1,387,300
Security of persons and property	4,345,775	3,969,656
Public health and welfare	17,009	10,785
Transportation	808,873	(4,467,853)
Community environment	794,792	358,960
Leisure time activity	385,593	221,986
Utility services	793,893	793,893
Other	8,419	8,419
Interest and fiscal charges	<u>303,319</u>	<u>303,319</u>
Total Expenses	<u>\$ 9,584,974</u>	<u>\$ 2,586,465</u>

The negative net cost of service for the transportation program is due to the capital contributions received from ODOT and from developers during the year. The City received approximately \$3.5 million in donated infrastructure during 2004 which, in accordance with GAAP, is reported as program revenue offsetting transportation program expenses.

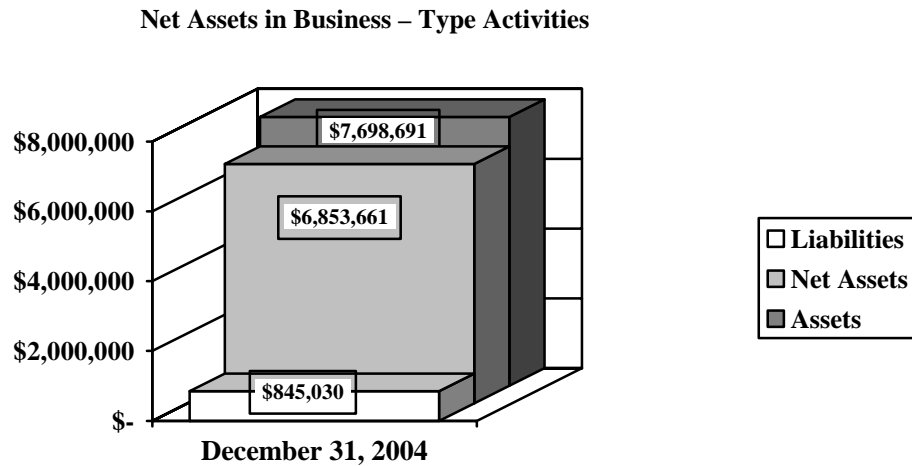
Governmental Activities - General and Program Revenues



CITY OF STREETSBORO, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

Business-type Activities

Business-type activities include the water enterprise fund. This program had program revenues of \$2,095,935, general revenues of \$5,076 and expenses of \$1,857,401 for 2004. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



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 21) reported a combined fund balance of \$2,299,239 which is \$651,929 below last year's total of \$2,951,168 (as restated). The December 31, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2004 for all major and nonmajor governmental funds.

CITY OF STREETSBORO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

	Fund Balances <u>12/31/04</u>	Restated Fund Balances <u>12/31/03</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 912,149	\$ 712,390	\$ 199,759
Capital improvement	39,168	109,478	(70,310)
Other nonmajor governmental funds	<u>1,347,922</u>	<u>2,129,300</u>	<u>(781,378)</u>
 Total	 <u>\$ 2,299,239</u>	 <u>\$ 2,951,168</u>	 <u>\$ (651,929)</u>

General Fund

The City's general fund balance increased \$199,759 or 28.04% from 2003. The City operated under a tight budget during 2004 and limited spending to actual collections. This conservative budgeting process resulted in an increased balance for the general fund. The table that follows assists in illustrating the revenues of the general fund.

	<u>2004 Amount</u>	<u>2003 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 5,426,004	\$ 4,940,238	9.83 %
Charges for services	217,740	168,135	29.50 %
Licenses, permits and fees	490,842	661,691	(25.82) %
Fines and forfeitures	148,507	165,252	(10.13) %
Investment income	38,806	40,462	(4.09) %
Intergovernmental	449,461	523,650	(14.17) %
Other	<u>231,369</u>	<u>95,514</u>	142.24 %
 Total	 <u>\$ 7,002,729</u>	 <u>\$ 6,594,942</u>	 6.18 %

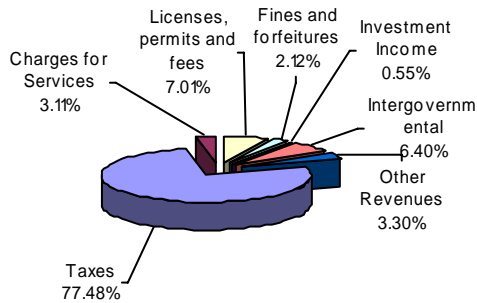
Tax revenue represents 77.48% of all general fund revenue. Taxes increased 9.83% over 2003 revenues. Intergovernmental revenues decreased 14.17% during 2004, due to the tightening of the state budget.

The graphs below display general fund revenues by category for 2004 and 2003:

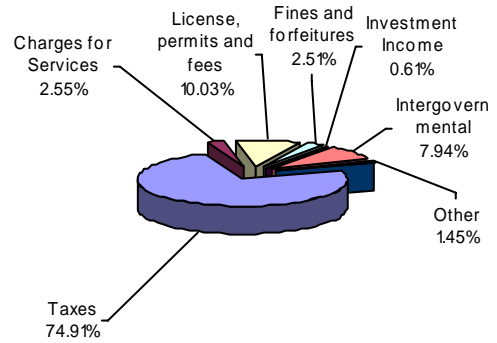
CITY OF STREETSBORO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Revenues - Fiscal Year 2004



Revenues - Fiscal Year 2003



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

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,846,934	\$ 1,564,443	18.06 %
Security of persons and property	3,820,416	3,629,569	5.26 %
Community environment	760,167	663,424	14.58 %
Leisure time activity	180,512	162,330	11.20 %
Utility services	676,455	720,017	(6.05) %
Capital outlay	<u>56,147</u>	<u>81,692</u>	(31.27) %
Total	<u>\$ 7,340,631</u>	<u>\$ 6,821,475</u>	7.61 %

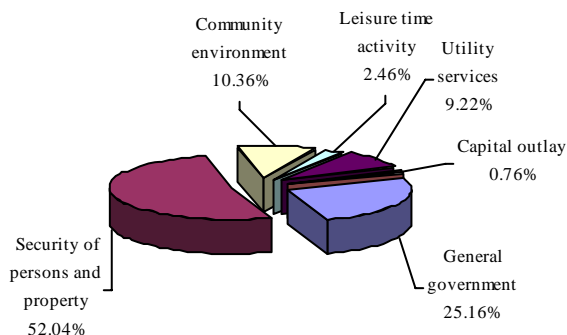
The most significant increase was in the area of general government. This is primarily due to wage and benefit increases and overall cost increases in purchased goods and services. All other expenditures remained comparable to 2003.

The graphs below display general fund expenditures by function for 2004 and 2003:

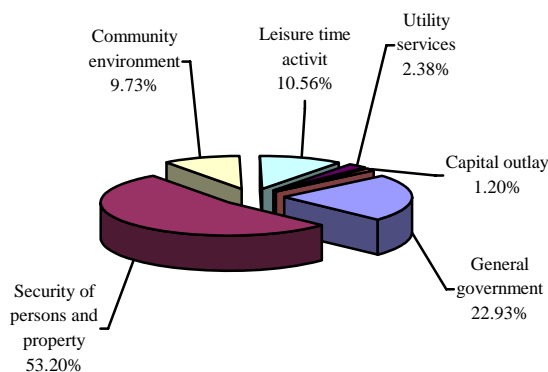
CITY OF STREETSBORO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Expenditures - Fiscal Year 2004



Expenditures - Fiscal Year 2003



Capital Improvement Fund

The Capital Improvement fund had revenues and other financing sources of \$832,345 in 2004. The expenditures in the Capital Improvement fund totaled \$902,655 in 2004. The net decrease in fund balance was \$70,310, resulting in an ending fund balance of \$39,168.

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.

Budgetary information is presented for the general fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of revenues and other financing sources, which decreased \$304,946 from \$7,619,987 to \$7,315,041. Actual revenues and other financing sources of \$7,282,168 were lower than final budgeted revenues and other financing sources by \$32,873. Actual expenditures and other financing uses came in \$171,907 lower than the final budgeted amounts.

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, 2004.

CITY OF STREETSBORO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the City had \$18,049,060, net of accumulated depreciation, invested in land, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. Of this total, \$12,554,377 was reported in governmental activities and \$5,494,683 was reported in business-type activities. The following table shows fiscal 2004 balances compared to 2003 (as restated in note 9 to the basic financial statements):

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

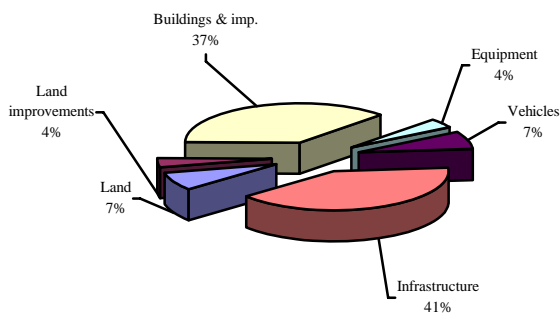
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 930,915	\$ 867,300	\$ -	\$ -	\$ 930,915	\$ 867,300
Construction-in-progress	-	-	33,776	33,776	33,776	33,776
Land improvements	493,706	539,333	-	-	493,706	539,333
Buildings and improvements	4,693,593	4,813,250	-	-	4,693,593	4,813,250
Equipment	457,535	544,465	220,354	298,595	677,889	843,060
Vehicles	922,923	1,238,818	8,000	16,200	930,923	1,255,018
Infrastructure	<u>5,055,705</u>	<u>-</u>	<u>5,232,553</u>	<u>4,940,770</u>	<u>10,288,258</u>	<u>4,940,770</u>
Totals	<u>\$ 12,554,377</u>	<u>\$ 8,003,166</u>	<u>\$ 5,494,683</u>	<u>\$ 5,289,341</u>	<u>\$ 18,049,060</u>	<u>\$ 13,292,507</u>

During 2004, the City raised their capitalization threshold from \$500 to \$5,000. In addition, the City is now reporting infrastructure as a capital asset and depreciating all governmental capital assets in accordance with GASB Statement No. 34. The infrastructure reported by the City primarily related to road improvements as a result of the State Route 43 widening project which was completed in 2004.

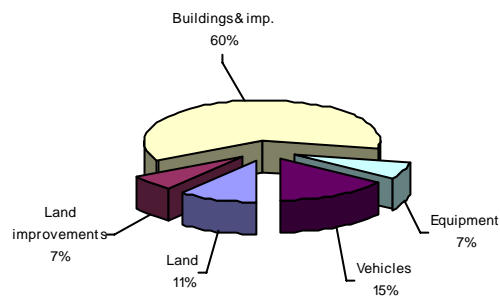
CITY OF STREETSBORO, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED

The following graphs show the breakdown of governmental capital assets by category for 2004 and 2003.

Capital Assets - Governmental Activities 2004



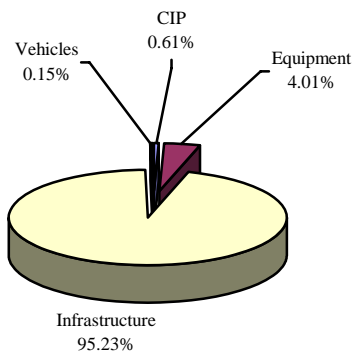
Capital Assets - Governmental Activities 2003



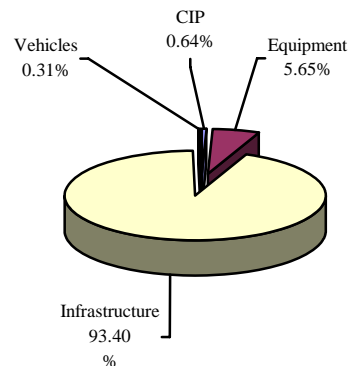
The City's third largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The City is only reporting current year infrastructure in the governmental capital assets, and already it is the third largest capital asset category. The City's will not retroactively report infrastructure.

The following graphs show the breakdown of business-type capital assets by category for 2004 and 2003.

Capital Assets - Business-Type Activities 2004



Capital Assets - Business-Type Activities 2003



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 95.23% 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, 2004
UNAUDITED

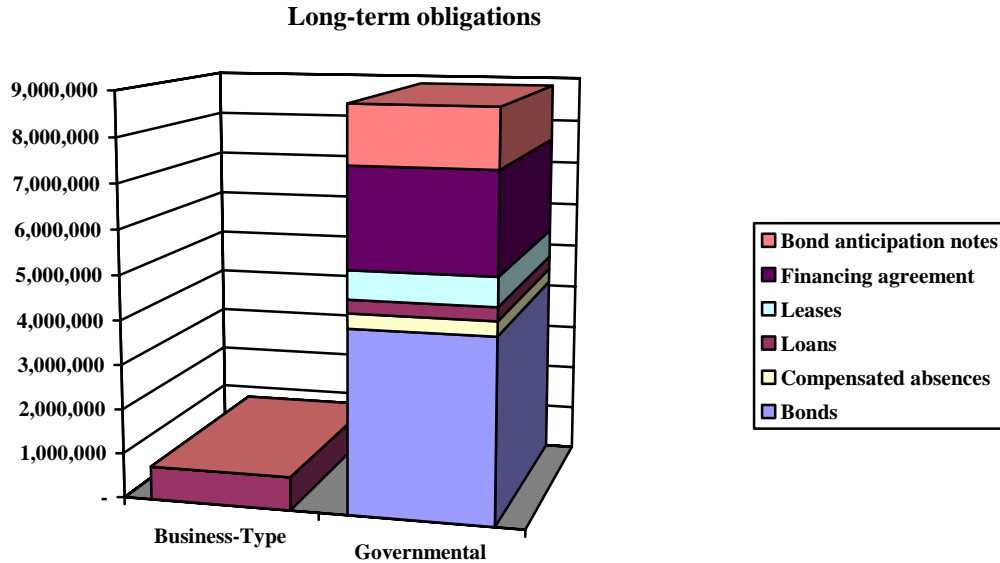
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2004 and 2003:

	Governmental Activities	
	<u>2004</u>	<u>2003</u>
General obligation bonds payable	\$ 4,080,000	\$ 4,320,000
Special assessment bonds	4,000	38,000
Bond anticipation notes	1,280,000	1,280,000
OPWC loans	295,391	311,422
Tax incremental financing agreement	2,204,109	2,204,109
Compensated absences	326,206	298,432
Capital lease obligation payable	<u>630,613</u>	<u>662,864</u>
Total long-term obligations	<u>\$ 8,820,319</u>	<u>\$ 9,114,827</u>
	Business-type Activities	
	<u>2004</u>	<u>2003</u>
OWDA Loans	\$ 631,766	\$ 150,290
OPWC Loans	108,623	134,983
Compensated absences	<u>1,786</u>	<u>922</u>
Total long-term obligations	<u>\$ 742,175</u>	<u>\$ 286,195</u>

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

CITY OF STREETSBORO, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED



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

Economic Conditions and Outlook

The following economic factors were taken into consideration in preparing the budget for fiscal year 2005:

The City has an unemployment rate currently of 5.2%, compared to the 5.7% state average and the 5.4% national average.

State funding is uncertain due to budgetary shortfalls at the State level. These funds represented 13% of the City's general fund revenue in 2004. Income and property tax revenues are expected to remain consistent as well as expenditures.

These economic factors were considered in preparing the City's budget for fiscal year 2005. Budgeted revenues and other financing sources in the general fund for fiscal year 2005 are \$7,236,434. The City has continued to practice conservative budgetary practices in order to preserve a positive financial position in future years.

Contacting the City's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and 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: Ms. Tanya Boyer, Finance Director, City of Streetsboro, 9184 State Route 43, Streetsboro, Ohio 44241.

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CITY OF STREETSBORO, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 1,435,827	\$ 1,694,436	\$ 3,130,263
Receivables (net of allowances for uncollectibles):			
Income taxes	1,929,490	-	1,929,490
Real and other taxes	1,116,531	-	1,116,531
Accounts	149,296	419,886	569,182
Special assessments	262,897	89,686	352,583
Due from other governments	667,992	-	667,992
Materials and supplies inventory	11,158	-	11,158
Loans receivable	414,134	-	414,134
Capital assets:			
Land and construction in progress.	930,915	33,776	964,691
Depreciable capital assets, net	11,623,462	5,460,907	17,084,369
Total capital assets, net	<u>12,554,377</u>	<u>5,494,683</u>	<u>18,049,060</u>
 Total assets.	 <u>18,541,702</u>	 <u>7,698,691</u>	 <u>26,240,393</u>
Liabilities:			
Accounts payable.	124,258	83,784	208,042
Accrued wages and benefits	167,178	10,387	177,565
Due to other governments	102,715	-	102,715
Deferred revenue.	1,029,436	-	1,029,436
Accrued interest payable.	32,530	-	32,530
Pension obligation payable	200,761	8,684	209,445
Long-term liabilities:			
Due within one year	1,837,903	109,307	1,947,210
Due in more than one year	6,982,416	632,868	7,615,284
 Total liabilities	 <u>10,477,197</u>	 <u>845,030</u>	 <u>11,322,227</u>
Net assets:			
Invested in capital assets, net of related debt	6,413,764	4,754,294	11,168,058
Restricted for:			
Capital projects.	697,347	-	697,347
Debt service	393,785	-	393,785
Transportation projects.	409,944	-	409,944
Community development projects	465,250	-	465,250
Other purposes	320,674	-	320,674
Unrestricted (deficit)	<u>(636,259)</u>	<u>2,099,367</u>	<u>1,463,108</u>
 Total net assets	 <u>\$ 8,064,505</u>	 <u>\$ 6,853,661</u>	 <u>\$ 14,918,166</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental Activities:			
General government	\$ 2,127,301	\$ 740,001	\$ -
Security of persons and property.	4,345,775	366,184	9,935
Public health and welfare	17,009	6,224	-
Transportation	808,873	4,581	726,164
Community environment.	794,792	435,832	-
Leisure time activity.	385,593	163,607	-
Utility services	793,893	-	-
Other	8,419	-	-
Interest and fiscal charges.	303,319	-	-
	9,584,974	1,716,429	736,099
Business-type Activities:			
Water	1,857,401	2,053,583	-
Total business-type activities	1,857,401	2,053,583	-
Total primary government.	\$ 11,442,375	\$ 3,770,012	\$ 736,099
General Revenues:			
Property taxes levied for:			
General purposes.			
Debt service			
Police pension			
Transportation projects			
Income taxes levied for:			
General purposes.			
Capital projects			
Debt Service.			
Grants and entitlements not restricted to specific programs:			
Investment earnings			
Miscellaneous			
Total general revenues.			
Change in net assets.			
Net assets at beginning of year (restated)			
Net assets at end of year.			

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (1,387,300)	\$ -	\$ (1,387,300)
-	(3,969,656)	-	(3,969,656)
-	(10,785)	-	(10,785)
4,545,981	4,467,853	-	4,467,853
-	(358,960)	-	(358,960)
-	(221,986)	-	(221,986)
-	(793,893)	-	(793,893)
-	(8,419)	-	(8,419)
-	(303,319)	-	(303,319)
4,545,981	(2,586,465)	-	(2,586,465)
42,352	-	238,534	238,534
42,352	-	238,534	238,534
<u>\$ 4,588,333</u>	<u>(2,586,465)</u>	<u>238,534</u>	<u>(2,347,931)</u>
	1,025,744	-	1,025,744
	236,100	-	236,100
	100,237	-	100,237
	105,560	-	105,560
	3,840,695	-	3,840,695
	502,007	-	502,007
	134,311	-	134,311
	515,429	-	515,429
	68,271	-	68,271
	14,818	5,076	19,894
	6,543,172	5,076	6,548,248
	3,956,707	243,610	4,200,317
	4,107,798	6,610,051	10,717,849
	<u>\$ 8,064,505</u>	<u>\$ 6,853,661</u>	<u>\$ 14,918,166</u>

-

CITY OF STREETSBORO, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 346,375	\$ -	\$ 1,089,452	\$ 1,435,827
Receivables (net of allowance for uncollectibles):				
Income taxes.	1,650,342	192,949	86,199	1,929,490
Real and other taxes.	725,764	-	390,767	1,116,531
Accounts	62,819	-	86,477	149,296
Interfund loans	70,000	-	-	70,000
Special assessments.	-	258,532	4,365	262,897
Due from other funds	124,320	-	-	124,320
Due from other governments	304,092	-	363,900	667,992
Loans Receivable	-	-	414,134	414,134
Materials and supplies inventory	-	-	11,158	11,158
Total assets	<u>\$ 3,283,712</u>	<u>\$ 451,481</u>	<u>\$ 2,446,452</u>	<u>\$ 6,181,645</u>
Liabilities:				
Accounts payable	\$ 63,451	\$ -	\$ 60,807	\$ 124,258
Accrued wages and benefits.	145,442	-	21,736	167,178
Due to other funds	-	39,804	84,516	124,320
Due to other governments.	102,500	-	215	102,715
Pension obligation payable	187,117	-	-	187,117
Accrued interest payable	-	4,175	10,880	15,055
Interfund loans payable	-	-	70,000	70,000
Deferred revenue	1,873,053	368,334	836,732	3,078,119
Claims payable	-	-	13,644	13,644
Total liabilities	<u>2,371,563</u>	<u>412,313</u>	<u>1,098,530</u>	<u>3,882,406</u>
Fund Balances:				
Reserved for encumbrances.	253,945	-	38,153	292,098
Reserved for materials and supplies inventory	-	-	11,158	11,158
Reserved for loans receivable	-	-	414,134	414,134
Reserved for debt service.	-	-	347,356	347,356
Unreserved, undesignated (deficit), reported in:				
General fund.	658,204	-	-	658,204
Special revenue funds.	-	-	429,364	429,364
Capital projects funds.	-	39,168	107,757	146,925
Total fund balances	<u>912,149</u>	<u>39,168</u>	<u>1,347,922</u>	<u>2,299,239</u>
Total liabilities and fund balances.	<u>\$ 3,283,712</u>	<u>\$ 451,481</u>	<u>\$ 2,446,452</u>	<u>\$ 6,181,645</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, 2004

Total governmental fund balances		\$ 2,299,239
<i>Amounts reported for governmental activities in 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.		12,554,377
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 58,600	
Income taxes	1,098,015	
Charges for services	103,616	
Special assessments	262,897	
Intergovernmental revenues	<u>525,555</u>	
Total		2,048,683
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	(4,080,000)	
Bond anticipation notes	(1,280,000)	
Accrued interest payable	(17,475)	
Special assessment bonds	(4,000)	
OPWC notes	(295,391)	
Compensated absences	(326,206)	
Tax incremental financing agreement	(2,204,109)	
Capital lease payable	<u>(630,613)</u>	
Total		<u>(8,837,794)</u>
Net assets of governmental activities		<u><u>\$ 8,064,505</u></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, 2004

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Municipal income taxes	\$ 4,405,640	\$ 513,417	\$ 215,121	\$ 5,134,178
Property and other taxes	1,020,364	-	438,303	1,458,667
Charges for services	217,740	-	239,143	456,883
Licenses and permits	490,842	-	-	490,842
Fines and forfeitures	148,507	-	44,771	193,278
Intergovernmental	449,461	-	648,350	1,097,811
Special assessments	-	-	87,865	87,865
Investment income	38,806	-	29,465	68,271
Other	231,369	-	14,819	246,188
Total revenues	7,002,729	513,417	1,717,837	9,233,983
Expenditures:				
Current:				
General government	1,846,934	-	104,826	1,951,760
Security of persons and property	3,820,416	-	79,473	3,899,889
Public health and welfare	-	-	6,383	6,383
Transportation	-	-	628,353	628,353
Community environment	760,167	-	-	760,167
Leisure time activity	180,512	-	170,797	351,309
Utility services	676,455	-	-	676,455
Other	-	-	8,419	8,419
Capital outlay	56,147	456,299	494,179	1,006,625
Debt service:				
Principal retirement	-	398,353	1,349,207	1,747,560
Interest and fiscal charges	-	48,003	256,517	304,520
Total expenditures	7,340,631	902,655	3,098,154	11,341,440
Deficiency of revenues under expenditures	(337,902)	(389,238)	(1,380,317)	(2,107,457)
Other financing sources (uses):				
Proceeds from sale of capital assets	30,250	-	-	30,250
Proceeds of notes	-	230,000	1,050,000	1,280,000
Premium on notes sold	-	-	-	-
Transfers in	615,698	-	108,288	723,986
Transfers out	(108,287)	-	(615,699)	(723,986)
Proceeds from capital leases	-	88,928	56,350	145,278
Total other financing sources (uses)	537,661	318,928	598,939	1,455,528
Net change in fund balances	199,759	(70,310)	(781,378)	(651,929)
Fund balances (deficit) at beginning of year (restated)	712,390	109,478	2,129,300	2,951,168
Fund balances at end of year	\$ 912,149	\$ 39,168	\$ 1,347,922	\$ 2,299,239

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, 2004

Net change in fund balances - total governmental funds	\$	(651,929)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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 (\$879,977) exceeded depreciation expense (\$783,057) in the current period.		96,920
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.		(91,691)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		4,307,697
Note and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities on the statement of net assets.		(1,425,278)
Repayment of bond, note, loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		1,747,560
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		1,202
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(27,774)</u>
Change in net assets of governmental activities	\$	<u><u>3,956,707</u></u>

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 4,187,007	\$ 4,019,446	\$ 4,008,278	\$ (11,168)
Property and other taxes	1,132,850	1,087,514	1,084,492	(3,022)
Charges for services	207,729	199,416	188,315	(11,101)
Licenses and permits.	512,729	492,210	490,842	(1,368)
Fines and forfeitures.	143,372	137,634	137,252	(382)
Intergovernmental	480,149	460,934	459,653	(1,281)
Investment income	40,536	38,914	38,806	(108)
Other	240,864	231,225	228,582	(2,643)
Total revenues.	<u>6,945,236</u>	<u>6,667,293</u>	<u>6,636,220</u>	<u>(31,073)</u>
Expenditures:				
Current:				
General government	1,862,734	1,945,547	1,902,697	42,850
Security of persons and property	3,822,314	3,992,245	3,904,318	87,927
Community environment	764,168	798,141	780,562	17,579
Leisure time activity	177,206	185,084	181,008	4,076
Utility services	685,645	716,127	700,355	15,772
Capital outlay.	54,968	57,411	56,147	1,264
Total expenditures	<u>7,367,035</u>	<u>7,694,555</u>	<u>7,525,087</u>	<u>169,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(421,799)</u>	<u>(1,027,262)</u>	<u>(888,867)</u>	<u>138,395</u>
Other financing sources (uses):				
Proceeds from sale of capital assets.	31,599	30,334	30,250	(84)
Transfers in.	643,152	617,414	615,698	(1,716)
Transfers out	(106,013)	(110,726)	(108,287)	2,439
Total other financing sources (uses)	<u>568,738</u>	<u>537,022</u>	<u>537,661</u>	<u>639</u>
Net change in fund balance	146,939	(490,240)	(351,206)	139,034
Fund balance at beginning of year	431,514	431,514	431,514	-
Prior year encumbrances appropriated	<u>114,936</u>	<u>114,936</u>	<u>114,936</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 693,389</u>	<u>\$ 56,210</u>	<u>\$ 195,244</u>	<u>\$ 139,034</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2004

	Business-type Activities	
	Enterprise Funds	
	<u>Water</u>	
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$	1,694,436
Receivables (net of allowance for uncollectibles):		
Special assessments		89,686
Accounts		419,886
		<hr/>
Total current assets		2,204,008
		<hr/>
Noncurrent assets:		
Capital assets:		
Land and construction in progress		33,776
Depreciable capital assets, net		5,460,907
		<hr/>
Total capital assets		5,494,683
		<hr/>
Total assets		7,698,691
		<hr/>
Liabilities:		
Current liabilities:		
Accounts payable		83,784
Accrued wages and benefits		10,387
Compensated absences		1,786
OPWC loans payable - current		26,360
OWDA loans payable - current		81,197
Pension obligation payable		8,684
		<hr/>
Total current liabilities		212,198
		<hr/>
Long-term liabilities:		
OPWC loans payable		82,263
OWDA loans payable		550,569
		<hr/>
Total long-term liabilities		632,832
		<hr/>
Total liabilities		845,030
		<hr/>
Net assets:		
Invested in capital assets, net of related debt		4,754,294
Unrestricted		2,099,367
		<hr/>
Total net assets	\$	6,853,661
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities	
	Enterprise Funds	
	<u>Water</u>	
Operating revenues:		
Charges for services	\$	2,053,583
Other		5,076
		<hr/>
Total operating revenues		2,058,659
		<hr/>
Operating expenses:		
Personal services		321,355
Contract services		1,099,484
Materials and supplies		15,463
Utilities		35,129
Depreciation		359,127
Other		242
		<hr/>
Total operating expenses		1,830,800
		<hr/>
Operating income		227,859
		<hr/>
Nonoperating expenses:		
Intergovernmental		-
Interest expense and fiscal charges		(26,601)
		<hr/>
Total nonoperating expenses		(26,601)
		<hr/>
Income (loss) before contributions and transfers		201,258
		<hr/>
Capital contributions		42,352
		<hr/>
Changes in net assets		243,610
		<hr/>
Net assets at beginning of year (restated).		6,610,051
		<hr/>
Net assets at end of year	\$	<u>6,853,661</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities	
	Enterprise Funds	
	Water	
Cash flows from operating activities:		
Cash received from customers	\$	1,933,297
Cash received from other operations.		5,076
Cash payments for personal services		(310,762)
Cash payments for contract services		(1,018,439)
Cash payments for materials and supplies		(84,713)
Cash payments for utilities.		(35,129)
Cash payments for other expenses		(242)
Net cash provided by operating activities		<u>489,088</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets		(538,227)
Principal retirement on OWDA loans.		(67,133)
Principal retirement on OPWC loans.		(26,360)
Proceeds of OWDA loans		548,609
Interest and fiscal charges.		(33,155)
Net cash used in capital and related financing activities		<u>(116,266)</u>
Net increase in cash and cash equivalents		372,822
Cash and cash equivalents at beginning of year		<u>1,321,614</u>
Cash and cash equivalents at end of year.	\$	<u><u>1,694,436</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	227,859
Adjustments:		
Depreciation		359,127
Changes in assets and liabilities:		
(Increase) in accounts receivable.		(140,141)
Decrease in special assessments receivable.		19,855
Increase in accounts payable		79,034
Increase in accrued wages and benefits		4,230
Increase in pension obligation payable		8,684
(Decrease) in due to other governments		(70,424)
Increase in compensated absences payable		864
absences payable		
Decrease in deferred revenue		-
Increase (decrease) in claims payable		-
Net cash provided by (used in) operating activities	\$	<u><u>489,088</u></u>

Non-cash transactions:

At December 31, 2003, the Water fund purchased \$17,300 in capital assets on account. At December 31, 2004, the Water fund purchased \$1,190 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STREETSBORO, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2004

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 113,272
Receivables:	
Accounts.	<u>1,945</u>
Total assets.	<u>\$ 115,217</u>
Liabilities:	
Accounts payable.	\$ 26
Undistributed monies	<u>115,191</u>
Total liabilities	<u>\$ 115,217</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, 2004

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.

The City provides various services and consists of many different activities and smaller accounting entities. These include 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. These service departments are included as part of the primary reporting entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. Based on the foregoing criteria, 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, 2004

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

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

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

C. Fund Accounting

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

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

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

Capital Improvement Fund - This fund accounts for various capital projects undertaken by the City.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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

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 capital facilities other than those financed by proprietary funds; and (c) for 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.

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 only fiduciary fund is an agency fund.

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.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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.

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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

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.

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 estimates need 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 2004.

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 final appropriation amounts, including all amendments and modifications legally enacted by Council.

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, 2004**

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

G. Cash and Cash Equivalents

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

During fiscal year 2004, investments were limited to 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 share price which is the price the investment could be sold for on December 31, 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$38,806 which includes \$30,037 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. Short-Term Interfund Assets/Liabilities

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "Interfund Receivable/Payable".

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

J. 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.

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 increased their capitalization threshold from \$500 to \$5,000 during 2004. The change in the capitalization policy was a result of differences in asset costs between the time that previous policy was adopted and the current fiscal year and due to a perceived lack of future economic benefit to be derived from deferring the costs of smaller capital assets (see Note 10). 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

K. 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 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.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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

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.

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.

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, compensated absences, and contractually required pension contributions 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.

N. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

CITY OF STREETSBORO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

O. 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.

P. Fund Balance Reserves

Reserved fund balances indicate the portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding and materials and supplies inventory, loans receivable, and debt service in the governmental fund financial statements.

Q. 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.

R. Net Assets

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

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

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and solid waste programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

T. 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 2004.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity".

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the City's not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

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

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - A certain fund has been reclassified from a nonexpendable trust fund to a special revenue fund to reflect its intended purpose in accordance with GASB Statement No. 34. It was determined that GASB Interpretation No. 6 had an effect on fund balances as previously reported at December 31, 2003. A restatement is also presented to include the intergovernmental payable previously reported in the general long-term obligations account group as a fund liability since it was due and payable at year-end and to properly state loans receivable at December 31, 2003.

	<u>General</u>	<u>Capital Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance				
December 31, 2003	\$ 732,838	\$ 109,478	\$ 2,051,516	\$ 2,893,832
Fund reclassification	-	-	409	409
Intergovernmental payable	(34,490)	-	-	(34,490)
Loans receivable	-	-	75,000	75,000
GASB Interpretation No. 6 adjustments	<u>14,042</u>	<u>-</u>	<u>2,375</u>	<u>16,417</u>
Restated fund balance January 1, 2004	<u>\$ 712,390</u>	<u>\$ 109,478</u>	<u>\$ 2,129,300</u>	<u>\$ 2,951,168</u>

The transition from governmental fund balance to net assets of the governmental activities is also presented.

Restated fund balance January 1, 2004	\$ 2,951,168
GASB Statement No. 34 adjustments:	
Capital assets	8,003,166
Long-term liabilities	(9,114,827)
Long-term (deferred assets)	2,286,967
Accrued interest payable	<u>(18,676)</u>
Governmental activities net assets, January 1, 2004	<u>\$ 4,107,798</u>

CITY OF STREETSBORO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
State Route 43 Widening	87,939
Recreation center capital projects	7,672

These funds did not comply with Ohio state law, which does not permit a cash basis deficit at year-end. The deficit fund balances resulted from reporting due to other funds as fund liability in both funds; as well as other reported accrued liabilities in the State Route 43 Widening fund. These deficits will be alleviated when sufficient revenues are received repay the advances and other accrued liabilities.

C. Compliance

Contrary to Ohio Revised Code Section 5705.10, the City had a negative cash balance in the certain funds. For GAAP purposes, these negative cash balances have been reported as fund liabilities of the respective funds.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

Monies of substantially all funds of the City are maintained or invested in a common group of bank accounts and in investments that mature or are redeemable within ten years. This is done in order to maximize the rate of interest that can be earned on invested funds. Interest income is distributed to the funds according to the charter and statutory requirements.

The investment and deposit of City monies are governed by the provisions of the Charter and Codified Ordinances of the City and the Ohio Revised Code. In accordance with these provisions, only financial institutions located in Ohio or primary securities dealers as designated by the Federal Reserve Bank of New York or securities brokers that are registered members of the National Association of Security Dealers are eligible to hold public deposits. The provisions also permit the City to invest its monies in negotiable and nonnegotiable certificates of deposit, bankers acceptances, commercial paper, money market accounts, the State Treasurer's investment pool (STAR OHIO) and obligations of the United States government or certain agencies thereof. The City may also enter into repurchase agreements with any eligible depository.

Public depositories must give security for all public funds on deposit. According to the City's Deposit and Investment Policy, these institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the face value of which is at least 110 percent of the total value of public monies on deposit at the institution. State law does not require that security for public deposits be maintained in the name of the City.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement.

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 treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public moneys 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 treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At year-end, the carrying amount of the City's deposits was \$(299,063) and the bank balance was \$276,754. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the City's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". Of the bank balance:

1. \$159,572 was covered by federal depository insurance; and
2. \$117,182 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments: The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. STAR Ohio investments are unclassified since they are not evidenced by securities that exist in physical or book entry form.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

	<u>Category</u> <u>3</u>	<u>Fair</u> <u>Value</u>
Repurchase agreements	\$ 255,000	\$ 255,000
STAR Ohio	<u>-</u>	<u>3,287,698</u>
Total investments	<u>\$ 255,000</u>	<u>\$ 3,542,698</u>

The classification of cash and cash equivalents on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash</u> <u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,243,535	\$ -
Investments of the cash management pool:		
Repurchase agreement	(255,000)	255,000
STAR Ohio	<u>(3,287,598)</u>	<u>3,287,598</u>
GASB Statement No. 3	<u>\$ (299,063)</u>	<u>\$ 3,542,598</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2004, consisted of the following, as reported in the fund financial statements:

Transfers to	<u>Transfers From</u>		
	<u>General</u>	<u>Nonmajor</u> <u>Governmental</u>	<u>Total</u>
General	\$ -	\$ 108,288	\$ 108,288
Nonmajor Governmental	<u>615,698</u>	<u>-</u>	<u>615,698</u>
Total	<u>\$ 615,698</u>	<u>\$ 108,288</u>	<u>\$ 723,986</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Streetsboro. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2004 was \$2.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

	<u>Assessed Value</u>	<u>Percentage</u>
Real property tax	\$ 305,029,543	84.07
Public utility tangible personal property	8,032,720	2.21
Tangible personal property	<u>49,778,430</u>	<u>13.72</u>
 Total assessed valuation	 <u>\$ 362,840,693</u>	 <u>100.00%</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the City in the first sixty days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

CITY OF STREETSBORO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 7 - LOCAL INCOME TAX

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

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

Income tax revenues are distributed to the general, capital improvement, police station bond retirement funds, and the center for recreation and performing arts construction funds.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2004, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest, 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, 2004, as well as intended to finance fiscal 2004 operations.

The loan receivable at December 31, 2004, 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 the Portage Area Development Corporation.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8 – RECEIVABLES – (Continued)

A summary of the intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
<u>Major Funds</u>	
General Fund	
Homestead and Rollback	\$ 33,800
Local Government	38,629
Local Government Revenue Assistance	157,750
Estate Tax	49,069
Advance	12,913
Miscellaneous	<u>11,931</u>
Total General Fund	<u>304,092</u>
Total Major Funds	<u>304,092</u>
<u>Nonmajor Funds</u>	
Street Construction and Repair	
Gasoline Tax	194,732
Motor Vehicle License Tax	<u>15,789</u>
Total State Construction and Repair	<u>210,521</u>
State Highway	
Gasoline Tax	72,565
Motor Vehicle License Tax	<u>5,883</u>
Total State Highway	<u>78,448</u>
Permissive Tax	
Permissive Tax	<u>57,141</u>
Police Pension	
Homestead and Rollback	<u>5,337</u>
General Bond Retirement	
Homestead and Rollback	<u>12,453</u>
Total Nonmajor Funds	<u>363,900</u>
Total	<u>\$ 667,992</u>

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 water lines which are billed by the County Auditor and collected by the County Treasurer. The County Auditor periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10 - CAPITAL ASSETS

A. The capital asset balances of the governmental activities and business-type activities have been restated due to the reporting of depreciation in governmental activities, and the change in capitalization threshold (See Note 2.J for detail). Under GASB Statement No. 34, the City has elected to “phase in” the retroactive reporting of governmental infrastructure assets. The City plans to retroactively report infrastructure capital assets in the 2005 basic financial statements. Only governmental infrastructure capital assets acquired or constructed in 2004 are reflected in the basic financial statements for the fiscal year ended December 31, 2004.

	Balance		Restated Balance
Governmental Activities:	12/31/03	Adjustments	12/31/03
Land	\$ 332,375	\$ 534,925	\$ 867,300
Land Improvements	1,000,410	(72,030)	928,380
Buildings and Improvements	5,843,340	(17,537)	5,825,803
Equipment	2,520,264	(906,777)	1,613,487
Vehicles	3,280,423	83,021	3,363,444
Less: accumulated depreciation	-	(4,595,248)	(4,595,248)
Total	\$ 12,976,812	\$ (4,973,646)	\$ 8,003,166
Business-Type Activities:	Balance		Restated Balance
	12/31/03	Adjustments	12/31/03
Construction in progress	\$ 33,776	\$ -	\$ 33,776
Machinery and equipment	554,978	(92,849)	462,129
Vehicles	67,001	(6,002)	60,999
Sewer/water lines	7,669,128	(53,017)	7,616,111
Less: accumulated depreciation	(2,945,849)	62,175	(2,883,674)
Total	\$ 5,379,034	\$ (89,693)	\$ 5,289,341

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10 - CAPITAL ASSETS - (Continued)

- B.** Capital asset activity for governmental activities for the year ended December 31, 2004, was as follows:

	Restated Balance 12/31/03	Additions	Disposals	Balance 12/31/04
<u>Governmental Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	867,300	63,615	-	930,915
Total capital assets, not being depreciated	<u>867,300</u>	<u>63,615</u>	<u>-</u>	<u>930,915</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	928,380	-	-	928,380
Buildings and improvements	5,825,803	-	-	5,825,803
Equipment	1,613,487	39,635	-	1,653,122
Vehicles	3,363,444	56,350	(146,705)	3,273,089
Infrastructure	-	5,266,359	-	5,266,359
Total capital assets, being depreciated	<u>11,731,114</u>	<u>5,362,344</u>	<u>(146,705)</u>	<u>16,946,753</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(389,047)	(45,627)	-	(434,674)
Buildings and improvements	(1,012,553)	(119,657)	-	(1,132,210)
Equipment	(1,069,022)	(126,565)	-	(1,195,587)
Vehicles	(2,124,626)	(280,554)	55,014	(2,350,166)
Infrastructure	-	(210,654)	-	(210,654)
Total accumulated depreciation	<u>(4,595,248)</u>	<u>(783,057)</u>	<u>55,014</u>	<u>(5,323,291)</u>
Total capital assets, being depreciated, net	<u>7,135,866</u>	<u>4,579,287</u>	<u>(91,691)</u>	<u>11,623,462</u>
Governmental activities capital assets, net	<u>\$ 8,003,166</u>	<u>\$ 4,642,902</u>	<u>\$ (91,691)</u>	<u>\$ 12,554,377</u>

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10 - CAPITAL ASSETS - (Continued)

- C. Capital asset activity for business-type activities for the year ended December 31, 2004, was as follows:

	Restated Balance 12/31/03	Additions	Disposals	Balance 12/31/04
<u>Business-Type Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Construction in progress	33,776	-	-	33,776
Total capital assets, not being depreciated	33,776	-	-	33,776
<i>Capital assets, being depreciated:</i>				
Machinery and equipment	462,129	-	-	462,129
Vehicles	60,999	-	-	60,999
Sewer/water lines	7,616,111	564,469	-	8,180,580
Total capital assets, being depreciated	8,139,239	564,469	-	8,703,708
<i>Less: accumulated depreciation:</i>				
Machinery and equipment	(163,534)	(78,241)	-	(241,775)
Vehicles	(44,799)	(8,200)	-	(52,999)
Sewer/water lines	(2,675,341)	(272,686)	-	(2,948,027)
Total accumulated depreciation	(2,883,674)	(359,127)	-	(3,242,801)
Total capital assets, being depreciated, net	5,255,565	205,342	-	5,460,907
Governmental activities capital assets, net	<u>\$ 5,289,341</u>	<u>\$ 205,342</u>	<u>\$ -</u>	<u>\$ 5,494,683</u>

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10 - CAPITAL ASSETS - (Continued)

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

Governmental Activities:

General government	\$ 19,642
Security of persons and property	367,840
Public health and welfare	10,626
Transportation	210,654
Basic utility services	114,070
Community environment	24,904
Leisure time activity	<u>35,321</u>
Total depreciation expense - governmental activities	<u>\$ 783,057</u>

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years the City entered into capital leases for the acquisition of various police, fire and service vehicles. The present value of net minimum lease payments for these vehicles at December 31, 2004 is \$500,543. During the year ended December 31, 2004 the City entered into new capital lease agreements for a snow plow and two utility trucks. The net minimum lease payment for these vehicles at December 31, 2004 is \$130,071.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards 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.

The follow is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2004:

Fiscal Year Ending <u>December 31</u>	<u>Lease Payments</u>
2005	\$175,371
2006	154,847
2007	136,680
2008	101,420
2009	101,420
2010	<u>80,327</u>
Total minimum lease payments	750,065
Less: Amount representing interest	<u>(119,451)</u>
Present value of net minimum lease payments	<u>630,614</u>

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities long-term obligations

The balance of the City's governmental activities long-term obligations at December 31, 2003 has been restated. The compensated absences liability increased \$16,417 from \$282,015 to \$298,432 due to the implementation of GASB Interpretation No. 6. In addition, pension obligations of \$34,490 at December 31, 2003 are not reported as a component of governmental activities long-term obligations as they are due and payable at year-end. Pension obligations are reported on a separate line on the financial statements. The effect on the total governmental activities long-term obligations as previously reported at December 31, 2003 was a decrease of \$18,073 from \$9,132,900 to \$9,114,827. During the fiscal year 2004, the following changes occurred in the City's governmental activities long-term obligations:

<u>Governmental Activities</u>	Restated Balance 12/31/03	<u>Additions</u>	<u>Reductions</u>	Balance 12/31/04	Amounts Due in One Year
<u>General obligation bonds</u>					
1999 various purpose bonds - 3.90% to 5.55%	\$ 4,320,000	\$ -	\$ (240,000)	\$ 4,080,000	\$ 245,000
Total general obligation bonds	<u>4,320,000</u>	<u>-</u>	<u>(240,000)</u>	<u>4,080,000</u>	<u>245,000</u>
<u>Bond anticipation notes</u>					
2003 Series - 2.45%	<u>1,280,000</u>	<u>1,280,000</u>	<u>(1,280,000)</u>	<u>1,280,000</u>	<u>1,280,000</u>
Total bond anticipation notes	<u>1,280,000</u>	<u>1,280,000</u>	<u>(1,280,000)</u>	<u>1,280,000</u>	<u>1,280,000</u>
<u>Special assessment bonds</u>					
1985 Ethan Ave. - 9.125%	8,000	-	(4,000)	4,000	4,000
Frost waterline, State Road waterline, Ranch Road waterline - 10.875%	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
Total special assessment bonds	<u>38,000</u>	<u>-</u>	<u>(34,000)</u>	<u>4,000</u>	<u>4,000</u>
<u>OPWC loans</u>					
State Route 14 resurfacing - 0%	80,000	-	(10,000)	70,000	10,000
Aurora, Hudson and Wellman - 0%	81,422	-	(6,031)	75,391	6,032
State Route 303, Superior and Mt. Vernon - 0%	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>22,500</u>
Total OPWC loans	<u>311,422</u>	<u>-</u>	<u>(16,031)</u>	<u>295,391</u>	<u>38,532</u>
<u>Other long-term obligations</u>					
Tax incremental financing agreement	2,204,109	-	-	2,204,109	-
Capital lease obligations	662,864	145,278	(177,529)	630,613	175,371
Compensated absences	<u>298,432</u>	<u>122,039</u>	<u>(94,265)</u>	<u>326,206</u>	<u>95,000</u>
Total long-term obligations	<u>3,165,405</u>	<u>267,317</u>	<u>(271,794)</u>	<u>3,160,928</u>	<u>270,371</u>
Total governmental activities long-term obligations	<u>\$9,114,827</u>	<u>\$1,547,317</u>	<u>\$ (1,841,825)</u>	<u>\$ 8,820,319</u>	<u>\$ 1,837,903</u>

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Special assessment and general obligation bonds

All special assessments bonds outstanding at December 31, 2004 are for road and waterline improvements. The bonds are backed by the full faith and credit of the City. However, it is the City's policy to meet debt service requirements on the bonds from special assessments revenues.

The general obligation bonds outstanding at December 31, 2004 are for various improvements. The bonds are backed by the full faith and credit of the city and are payable from taxes levied on all taxable property in the City.

At December 31, 2004, the City's voted legal debt margin and unvoted legal debt margin was \$28,298,021 and \$12,696,625 respectively.

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

<u>Year</u>	<u>General Obligation Bonds</u>			<u>Special Assessment Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 245,000	\$ 209,320	\$ 454,320	\$ 4,000	\$ 365	\$ 4,365
2006	255,000	198,050	453,050	-	-	-
2007	270,000	186,065	456,065	-	-	-
2008	285,000	173,240	458,240	-	-	-
2009	300,000	159,418	459,418	-	-	-
2010 - 2014	1,305,000	594,470	1,899,470	-	-	-
2015 - 2019	<u>1,420,000</u>	<u>230,830</u>	<u>1,650,830</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,080,000</u>	<u>\$ 1,751,393</u>	<u>\$ 5,831,393</u>	<u>\$ 4,000</u>	<u>\$ 365</u>	<u>\$ 4,365</u>

<u>Year</u>	<u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 31,031	\$ -	\$ 31,031
2006	31,031	-	31,031
2007	31,031	-	31,031
2008	31,031	-	31,031
2009	31,032	-	31,032
2010 - 2014	125,156	-	125,156
2015 - 2019	15,079	-	15,079
2020 - 2024	-	-	-
2025 - 2029	-	-	-
2030 - 2034	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 295,391</u>	<u>\$ -</u>	<u>\$ 295,391</u>

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

C. Special assessment and general obligation bonds

The City's bond anticipation notes are backed by the full faith and credit of the City and matures on July 21, 2005. The proceeds of the note were used to repay the Series 2003 bond anticipation note which was recorded as a governmental activities long-term obligation at December 31, 2003.

The bond anticipation notes have been issued to finance various construction projects as follows:

Land acquisitions	\$ 325,000
Widening of State Route 43	600,000
Land acquisitions along State Route 303	100,000
Realigning and widening of State Route 303	130,000
Water drainage system improvements	<u>125,000</u>
 Total	 <u>\$ 1,280,000</u>

D. Business-Type Activities long-term obligations

The following changes occurred in the City's business-type long-term obligations during fiscal 2004:

	Balance			Balance	Amounts
	<u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/04</u>	<u>Due in</u>
<u>Business-Type Activities:</u>					<u>One Year</u>
<u>OWDA Loans</u>					
OWDA loan, due through 2005 - 8.97%	\$ 122,047	\$ -	\$ (58,403)	\$ 63,644	\$ 63,644
OWDA loan, due through 2008 - 7.65%	28,243	-	(8,730)	19,513	9,398
Briar Root Manor Waterline - 5.01%	<u>-</u>	<u>548,609</u>	<u>-</u>	<u>548,609</u>	<u>8,155</u>
Total OWDA loans	<u>150,290</u>	<u>548,609</u>	<u>(67,133)</u>	<u>631,766</u>	<u>81,197</u>
<u>OPWC loans</u>					
Frost Road waterline replacement - 0%	89,983	-	(16,360)	73,623	16,360
State Route 43 waterline replacement - 0%	<u>45,000</u>	<u>-</u>	<u>(10,000)</u>	<u>35,000</u>	<u>10,000</u>
Total OPWC loans	<u>134,983</u>	<u>-</u>	<u>(26,360)</u>	<u>108,623</u>	<u>26,360</u>
<u>Other long-term obligations</u>					
Compensated absences	<u>922</u>	<u>2,592</u>	<u>(1,728)</u>	<u>1,786</u>	<u>1,750</u>
Total other long-term obligations	<u>922</u>	<u>2,592</u>	<u>(1,728)</u>	<u>1,786</u>	<u>1,750</u>
Total business-type long-term obligations	<u>\$ 286,195</u>	<u>\$ 551,201</u>	<u>\$ (95,221)</u>	<u>\$ 742,175</u>	<u>\$ 109,307</u>

Enterprise fund loans are with the Ohio Water Development Authority (OWDA) and the Ohio Public Works commission (OPWC). The loans are for the construction, maintenance and operation of various water projects. The loans are backed by the full faith and credit of the City.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

Year	OPWC Loans			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 26,360	\$ -	\$ 26,360	\$ 81,196	\$ 33,204	\$ 114,400
2006	26,361	-	26,361	18,684	27,679	46,363
2007	26,361	-	26,361	9,003	26,536	35,539
2008	21,361	-	21,361	9,460	26,079	35,539
2009	8,180	-	8,180	9,940	25,599	35,539
2010 - 2014	-	-	-	57,793	119,902	177,695
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>\$ 108,623</u>	<u>\$ -</u>	<u>\$ 108,623</u>	<u>\$ 631,766</u>	<u>\$ 524,089</u>	<u>\$ 1,155,855</u>

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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 2004, the City contracted for the following insurance coverage.

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability		
Each Occurrence	\$1,000,000	\$0
Annual Aggregate	2,000,000	0
Employers Liability	1,000,000	25,000
Employee Benefits Liability		
Each Occurrence	1,000,000	0
Annual Aggregate	2,000,000	0
Law Enforcement Officers 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	4,000,000	25,000
Property (building and contents)	11,697,500	1,000
Boiler and Machinery	Included	
Inland Marine		
Special Property	774,437	500
Electronic Equipment	Included	
Automobile Coverage		
Liability	1,000,000	0
Medical Payments	0	0

There has been no significant reduction in insurance coverage from 2003, 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, 2004**

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to established and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2004 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 13.31% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$294,638, \$231,364, and \$229,888, respectively; 100% has been contributed for 2003 and 2002. 75.40% has been contributed for 2004 with remainder being reported as a liability. The City and plan members did not make any contributions to the member-directed plan for 2004.

B. Ohio Police and Fire Pension Fund

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 Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10% of their annual covered salary to fund pension obligations while the City is required to contribute 11.75% for police officers and 16.25% for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$329,783 for the year ended December 31, 2004, \$207,296 for the year ended December 31, 2003, and \$154,339 for the year ended December 31, 2002. The full amount has been contributed for 2002 and 2001. 58.59% and 58.30%, respectively, have been contributed for 2004 with the remainder being reported as a liability.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$86,978. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

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

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. Ohio Police and Fire Pension Fund

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

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

The City's actual contributions for 2004 that were used to fund postemployment benefits was \$74,849 for police and \$45,623 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003 (the latest information available), was 13,662 for police and 10,474 for firefighters.

CITY OF STREETSBORO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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, the fire and rescue fund, the police fund and the street fund and is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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	\$(351,206)
Net adjustment for revenue accruals	366,509
Net adjustment for expenditure accruals	(90,995)
Net adjustment for other sources/uses	-
Adjustment for encumbrances	<u>275,451</u>
GAAP basis	<u>\$ 199,759</u>

CITY OF STREETSBORO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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 is 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, 2004.

NOTE 19 - INTERFUND TRANSACTIONS

A. Interfund balances as of December 31, 2004, consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 70,000	\$ -
Nonmajor governmental	-	70,000

The interfund balances are expected to be repaid in the subsequent year.

B. At December 31, 2004, certain funds had a negative cash balances. These fund overdrafts of the internal investment pool have been reported as fund liabilities of the respective funds.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 124,320	\$ -
<u>Capital Projects Funds</u>		
Capital Improvement	-	39,804
Recreation Center Funding	-	7,672
State Route 43 Widening	-	76,844
Total	<u>\$ 124,320</u>	<u>\$ 124,320</u>

NOTE 20 – SUBSEQUENT EVENTS

On June 20, 2005 the City Council approved to refinance \$902,440 of the \$1,280,000 bond anticipation note due July 21, 2005.

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Auditor of State Betty Montgomery

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

City of Streetsboro
Portage County
9184 State Route 43
Streetsboro, Ohio 44241

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Streetsboro, Portage County (the City) as of and for the year ended December 31, 2004, which collectively comprise the City of Streetsboro's basic financial statements and have issued our report thereon dated June 30, 2005, wherein we noted the City adopted GASB Statement 34. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 through 2004-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to City's management dated June 30, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

MATERIAL NONCOMPLIANCE

As part of reasonably assuring whether the City of Streetsboro's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2004-001 through 2004-004. In a separate letter to the City's management dated June 30, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

June 30, 2005

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2004-001
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Finding for Recovery – Reportable Condition

A bank account was established in 1992 as a means for contributions and donations to be contributed to the Friends of the Streetsboro Community Theater.

A review of the checks written on the account showed that 2 checks totaling \$1,100 were made payable to Mr. Thomas Wilschutz, Assistant Theater Coordinator. Check number 108 was written on August 4, 2003 for \$800 and check number 109 was written on August 13, 2003 for \$300. Mr. Wilschutz did not provide support documentation for these expenditures.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mr. Thomas G. Wilschutz, in the amount of one thousand one hundred dollars (\$1,100) and in favor of the City of Streetsboro, Special Fund 214 Theater.

Finding Number	2004-002
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Finding for Recovery – Reportable Condition

A bank account was established in 1992 as a means for contributions and donations to be contributed to the Friends of the Streetsboro Community Theater.

On July 15, 2004, a check, number 239, in the amount of \$350 was made payable to Rebecca Summers, Theater Coordinator, from the Friends of the Streetsboro Community Theatre checking account. Ms. Summers did not provide support documentation for these expenditures.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Rebecca Summers, in the amount of three hundred and fifty dollars (\$350) and in favor of the City of Streetsboro, Special Fund 214 Theater.

Finding Number	2004-003
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Finding for Recovery – Reportable Condition

On January 22, 2004, the former Director of Finance issued Rebecca Summers, Theater Coordinator, a check, number 35751, from the City's general checking account in the amount of \$400 for a petty cash advancement on behalf of the Streetsboro Community Theatre.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2004-003 (Continued)
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Finding for Recovery – Reportable Condition (Continued)

Ms. Summers did not provide and/or maintained supporting documentation for accountability over the spending of these funds, and/or returned any unspent monies.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mrs. Rebecca Summers in the amount of four hundred (\$400) and in favor of the City of Streetsboro, Special Fund 214 Theater.

Finding Number	2004-004
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Citation /Reportable Condition

In 1992 the Streetsboro Community Theater (SCT), a public office, a division of the City of Streetsboro's Park and Recreation Department had two part time employees – Rebecca Summers, Artistic Director and Theater Coordinator and Tom Wilschutz, Managing Director and Assistant Theatre Coordinator. Mr. Wilschutz and Ms. Summers were encouraged by Steve Kolar, former Chairman of the Board for Parks and Recreation, to create an auxiliary fund-raising organization called, Friends of the Streetsboro Community Theater (FSCT). This organization was intended to be a non-profit entity separate from the City with the purpose of raising funds to buy needed equipment and otherwise benefit the Theatre. A separate bank account was opened by Mr. Wilschutz for the deposit of these funds. FSCT is not incorporated or organized as a business entity in Ohio. FSCT obtained a federal employer identification number (by filing Form SS-4), checking under type of entity "other nonprofit organization". However, it was noted that this application was dated November 2, 1992, but the approval received from the IRS was dated prior to that on May 28, 1992. Also, FSCT does not have tax exempt status

In September 2004, the current Administration of the City questioned the relationship between FSCT and SCT for the following reason:

- FSCT holds itself out as a nonprofit organization that does not handle public money. However, FSCT and SCT records indicate that FSCT does receive and collect public money.

In March 2004 FSCT, through a City employee (the Assistant Theater Coordinator), solicited donations for the SCT "patron program". The solicitation letter was on FSCT letterhead but referenced SCT and concluded by stating "Your gift to SCT is tax deductible. Please make your check payable to FSCT." The letter was signed by the City employee under the title "Managing Director, SCT".

In March and April of 2004 FSCT received donations by checks payable to FSCT and to SCT. To illustrate Patron "A" wrote a check to FSCT and Patron "B" wrote a check to SCT, both checks were for \$1,000. Neither check was deposited with the City.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2004-004 (Continued)
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Citation /Reportable Condition – (Continued)

In the Summer of 2004 SCT printed programs for “Once On This Island” Patron “A” and Patron “B” were listed as SCT Patrons. The printed programs were purchased by SCT (public funds).

Public money was received or collected by FSCT under color of office (as those terms are defined in R.C. 117.01). Therefore, all such money should have been deposited to the City.

The opinion of the City Law Director, Atty. Chad Murdock, stated that the monies receipted by the FSCT, were received under “color of office” and thus should have been recorded by the City and any money in the account to date should be turned over to the City. FSCT should have organized as a nonprofit corporation in accordance with Ohio Revised Code Chapter 1702 and obtained tax exempt status under IRS regulation 26 U.S.C.A. 501 (c). These requirements are necessary to provide a structure that is separate and a part from the City, and not dependent on City employees to operate. This opinion led to a special audit and additional audit costs incurred by the City for the review by the Auditor of State’s Office.

Our review of the records maintained by the FSCT and SCT for the period of January 1, 2002 through December 31, 2004 revealed the following discrepancies:

According to the former Assistant Theater Coordinator, receipt sources were for ticket sales on the night of productions, for pre-sales of tickets sold in the days or weeks before a production, patron donations, and advertisements. The ticket sales monies were to be deposited with the City and all other receipts were to be deposited to the FSCT account. Receipts deposited into the FSCT bank account did not have supporting documentation to detail the source of the receipt. No deposit slips were maintained and no record of how much was collected and/or deposited was maintained.

Receipts deposited into the City’s bank account and recorded on the City’s books were compared to Ticket Sales reports for each night of a production. The Ticket Sales report dates of the monies received did not always reasonably correspond to the dates the monies were deposited. Total collections per Ticket Sales reports did not agree to total amounts deposited and the deposit dates were sporadic and did not reasonably coincide with production dates. Several Ticket Sales reports listed large amounts as “pre-sale” collections but there was no detail as to when these tickets were sold or the quantity or price of each.

Copies of checks written to FSCT and SCT were provided for audit review. However, it was not possible to determine when or where, to which bank account, the City’s bank account or the FSCT bank account, these checks were deposited.

A list of t-shirt and sweatshirt orders listing quantity sold and price for each was provided for audit review. However, it was not possible to determine when or where, to which bank account, this money was collected and deposited.

CITY OF STREETSBORO
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004

REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2004-004 (Continued)
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Citation /Reportable Condition – (Continued)

Complimentary tickets were given, however, there was no documentation to support who these tickets were provided to and who approved their issuance.

Each production had a program booklet that contained advertisements. According to the Assistant Theatre Director, the majority of the advertisements were paid for, but some were complimentary. However, no documentation was available to support the payments or lack of payments for these advertisements. Thus, we were unable to determine if all the ads in the booklets were properly paid for, which ads went unpaid, and if all the monies were deposited.

Disbursements for the Theater were processed by checks written by FSCT against their bank account as well as checks written by the City and recorded on the City's books.

For checks written by the City, most contained adequate supporting documentation. There was one expenditure to the former Director for a reimbursement of expenses where the City could not locate the voucher packet.

For checks written by the FSCT, no supporting documentation was maintained. No invoices or cancelled checks were available for audit review. No detailed subsidiary record was maintained to describe the purpose of the expenditure. Checks written were not sequential and several were reported as unused or unaccounted for. Several checks written to the former Director and former Assistant Director as cash advances or reimbursement for expenditures made in relation to certain productions were not supported by receipts or other documentation. See finding numbers 2004-001, 2004-002, 2004-003.

Conclusion:

1. **Ohio Revised Code Section 9.38** states Public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

For example, a government employee other than the fiscal officer collecting funds and issuing a receipt must deposit the funds with the government's fiscal officer on the business day following the day of receipt. As an alternative to depositing the funds with the government's fiscal officer, the employee instead may deposit funds with the government's designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 **and** the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.- Public money was received or collected by FSCT under color of office (as those terms are defined in R.C. 117.01) and not turned over to the City.

CITY OF STREETSBORO
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004

REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2004-004 (Continued)
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Citation /Reportable Condition – (Continued)

We recommend the Friends of the Streetsboro Community Theatre bank account be closed and the remaining balance be turned over to the City to be deposited in the Special Revenue Fund 214 Theater.

2. **Maintaining Supportive Documentation** - Ohio Revised Code Section 149.35.1(A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully. Section (B) states that any person who is aggrieved by the removal, destruction, mutilation, or transfer of, or by other damage to or disposition of a record in violation of division (A) of this section, or by threat of such removal, destruction, mutilation, transfer, or other damage to or disposition of such a record, may commence either or both of the following in the court of common pleas of the county in which division (A) of this section allegedly was violated or is threatened to be violated: (1) A civil action for injunctive relief to compel compliance with division (A) of this section, and to obtain an award of the reasonable attorney's fees incurred by the person in the civil action; or (2) A civil action to recover a forfeiture in the amount of one thousand dollars for each violation, and to obtain an award of the reasonable attorney's fees incurred by the person in the civil action.

Various records and supporting documentation for the SCT and FSCT activity could not be provided by the City for the 2004 fiscal year. Such activities included Ticket Sales records, charitable contributions documentation and ad patron collections. Such records were reported as discarded or misplaced.

The City should implement a policy and procedures for maintaining all financial records and any supporting documentation in accordance with this revised code section.

We recommend the City implement the following procedures to enhance controls and accountability over the transactions for the Theater:

The number of tickets sold for production events:

- A 'master log' should be maintained to record all of the tickets purchased and sold. Any unsold tickets should be properly accounted for. The log should document, in chronological order, each event, the date, the ticket sequence and the numbers of the tickets sold. Any unsold tickets should be noted on the master log. This will allow for accountability over all of the ticket sequences.

CITY OF STREETSBORO
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004

REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2004-004 (Continued)
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Citation /Reportable Condition – (Continued)

- Upon completion of the production, each ticket seller should document on the Ticket Sales Report the last ticket numbers sold, the amount of cash collected and then sign the report attesting to the information provided. The Ticket Sales Report, along with the ticket sales money and the unsold tickets, should then be turned over to the Park's & Recreation Director or other designated person and the monies should be forwarded to the Finance Department for deposit.
- Someone independent of the cash collection process should verify the reconciliation from the Ticket Sales Reports and make the cash deposit. The reconciliation should include a review of the unused tickets, recalculation of the number of tickets sold, and the counting of the cash. The Ticket Sales Report should then be signed by the person performing the reconciliation and by the Director.
- All complimentary tickets awarded should be properly approved by the Director and noted on the Ticket Sales Report.
- Proper accountability over the advertisements in the program booklets should be maintained. This would include a listing of the advertisements, amounts paid and date collected. All unpaid advertisements should be properly accounted for and the monies collected. The fees charged for the advertisements should be approved by Council.

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Finding for Recovery Mr. Richard Sesso	Yes	Finding was paid in full
2003-002	Finding for Recovery Mr. William Rudlosky and Hearthstone Builder Corp	Yes	Finding was paid in full
2003-003	ORC 5704.40 – Amending or Supplementing Appropriations	No	Partially Corrected – Reissued as a Management Letter Comment - <u>Citation Number # 3</u>
2003-004	ORC 5705.36 Budgetary Amended Certificates	No	Partially Corrected – Reissued as a Management Letter Comment - <u>Citation Number # 1</u>
2003-005	ORC 5705.41(D) – Certification of Availability of Funds	No	Partially Corrected – Reissued as a Management Letter Comment - <u>Citation Number # 4</u>
2003-006	ORC 5705.41(B) Restrictions on the Appropriation and Expenditure of Money	Yes	
2003-007	City Charter Article VI Department of Finance Section 6.05 Accounting Procedures and Budgetary Control	Yes	New Finance Director
2003-008	Material Weakness – Debt	Yes	
2003-009	Recommendation Shared Financial Information	Yes	
2003-010	Recommendation – Bank Reconciliations/Stale Checks	No	Partially Corrected – Reissued as a Management Letter Comment - <u>Recommendation Number # 2</u>
2003-011	Recommendation – Budgetary updating of Computer System	No	Partially Corrected – Reissued as a Management Letter Comment - <u>Citation Number # 3</u>
2003-012	Recommendation – Overall Receipts Posting	Yes	

**CITY OF STREETSBORO
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

2003-013	Recommendation – Deposits Held and Due To Others	No	Partially Corrected – Reissued as a Management Letter Comment - <u>Recommendation Number # 4</u>
2003-14	Recommendation – Posting of Cobra Benefits Receipts	Yes	
2003-15	Recommendation – State and Federal Funds	No	Partially Corrected – Reissued as a Management Letter Comment - <u>Recommendation Number # 7</u>
2003-16	Debt Repayment Terms – Posting of Debt Principal and Interest	No	Partially Corrected – Reissued as a Management Letter Comment - <u>Recommendation Number # 1</u>
2003-17	Audit Committee	No	Partially Corrected – Reissued as a Management Letter Comment - <u>Recommendation Number # 8</u>



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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
FEBRUARY 9, 2006**