

**CITY OF STREETSBORO  
PORTAGE COUNTY, OHIO**

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

FOR THE YEAR ENDED  
DECEMBER 31, 2010

**TED GORDON, FINANCE DIRECTOR**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the City of Streetsboro, Portage County, prepared by Julian & Grube, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost  
Auditor of State

November 1, 2011

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**CITY OF STREETSBORO, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**TABLE OF CONTENTS**

Independent Accountants' Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 16
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	17
Statement of Activities .....	18 - 19
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	20
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23 - 24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	25
Statement of Net Assets - Proprietary Fund.....	26
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund.....	27
Statement of Cash Flows - Proprietary Fund .....	28 - 29
Statement of Fiduciary Assets and Liabilities – Agency Fund .....	30
Notes to the Basic Financial Statements.....	31 - 60
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	61 - 62
Schedule of Findings and Responses.....	63
Status of Prior Audit Findings .....	64

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Accountants' Report

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

To the Mayor and Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the City of Streetsboro's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Streetsboro's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2011, on our consideration of the City of Streetsboro'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.

Independent Accountants' Report  
City of Streetsboro  
Page Two

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.  
August 25, 2011



## CITY OF STREETSBORO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

The management's discussion and analysis of the City of Streetsboro's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. 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 2010 are as follows:

- The total net assets of the City decreased \$1,286,279. Net assets of governmental activities decreased \$1,259,761 or 10.07% from 2009 and net assets of business-type activities decreased \$26,518 from 2009.
- General revenues accounted for \$13,282,292 or 82.56% of total governmental activities revenue. Program specific revenues accounted for \$2,805,716 or 17.44% of total governmental activities revenue of \$16,088,008.
- The City had \$12,712,230 in expenses related to governmental activities and an extraordinary item of \$4,600,000; \$2,805,716 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses and extraordinary item of the governmental activities of \$14,506,514 were partially offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$13,282,292.
- The City's major governmental funds are the general fund and the capital improvement fund. The general fund had revenues and other financing sources of \$11,726,119 in 2010. This represents an increase of \$1,663,621 from 2009 revenues. The expenditures and other financing uses of the general fund, which totaled \$10,279,727 in 2010, increased \$370,377 from 2009. The net increase in fund balance for the general fund was \$1,446,392 or 80.09%.
- The capital improvement fund had revenues and other financing sources of \$1,861,529 in 2010. This represents an increase of \$669,868 from 2009 revenues. The expenditures of the capital improvement fund, which totaled \$1,856,721 in 2010, increased \$726,419 from 2009. The net increase in fund balance for the capital improvement fund was \$4,808.
- Net assets for the business-type activities, which is made up of the water enterprise fund, decreased in 2010 by \$26,518. This decrease in net assets was due primarily to a decrease in operating revenues and an increase in operating expenses.
- In the general fund, the actual revenues and other financing sources came in \$1,082,753 more than they were in the final budget and actual expenditures were \$795,267 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues were the same in the original and the final budget. Original budgeted expenditures increased in the final budget by \$380,460.

#### **Using these Basic Financial Statements**

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

The statement of net assets and the statement of changes in net assets provide information from a summary perspective showing the effects of the operations for the year 2010 and how they impacted the operations of the City as a whole.

## **CITY OF STREETSBORO, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010**

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

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

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

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

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

##### *Fund Financial Statements*

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

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

## **CITY OF STREETSBORO, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010**

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

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and the capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-25 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 26-29 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 30 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 31-60 of this report.

**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**Government-Wide Financial Analysis**

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets at December 31, 2010 and December 31, 2009:

	<b>Net Assets</b>					
	Governmental Activities 2010	Business-type Activities 2010	Governmental Activities 2009	Business-type Activities 2009	Total 2010	Total 2009
<b><u>Assets</u></b>						
Current and other assets	\$ 10,815,730	\$ 2,975,472	\$ 8,305,074	\$ 2,807,833	\$ 13,791,202	\$ 11,112,907
Capital assets, net	<u>12,633,807</u>	<u>5,768,402</u>	<u>12,194,387</u>	<u>6,200,416</u>	<u>18,402,209</u>	<u>18,394,803</u>
Total assets	<u>23,449,537</u>	<u>8,743,874</u>	<u>20,499,461</u>	<u>9,008,249</u>	<u>32,193,411</u>	<u>29,507,710</u>
<b><u>Liabilities</u></b>						
Long-term liabilities	10,459,245	517,064	6,369,659	693,313	10,976,309	7,062,972
Other liabilities	<u>1,744,805</u>	<u>83,368</u>	<u>1,624,554</u>	<u>144,976</u>	<u>1,828,173</u>	<u>1,769,530</u>
Total liabilities	<u>12,204,050</u>	<u>600,432</u>	<u>7,994,213</u>	<u>838,289</u>	<u>12,804,482</u>	<u>8,832,502</u>
<b><u>Net assets</u></b>						
Invested in capital assets, net of related debt	8,787,870	5,264,648	8,649,477	5,642,714	14,052,518	14,292,191
Restricted	3,512,182	-	3,327,777	-	3,512,182	3,327,777
Unrestricted (deficit)	<u>(1,054,565)</u>	<u>2,878,794</u>	<u>527,994</u>	<u>2,527,246</u>	<u>1,824,229</u>	<u>3,055,240</u>
Total net assets	<u>\$ 11,245,487</u>	<u>\$ 8,143,442</u>	<u>\$ 12,505,248</u>	<u>\$ 8,169,960</u>	<u>\$ 19,388,929</u>	<u>\$ 20,675,208</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$19,388,929. At year-end, net assets were \$11,245,487 and \$8,143,442 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 57.16% 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, 2010, were \$8,787,870 and \$5,264,648 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$3,512,182 represents resources that are subject to external restriction on how they may be used. The remaining deficit balance of unrestricted net assets is \$1,054,565.

**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

The table below shows the changes in net assets for 2010 and 2009.

**Change in Net Assets**

	Governmental Activities 2010	Governmental Activities 2009	Business-type Activities 2010	Business-type Activities 2009	Total 2010	Total 2009
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,424,034	\$ 1,617,015	\$ 2,540,954	\$ 2,592,509	\$ 3,964,988	\$ 4,209,524
Operating grants and contributions	893,408	879,815	-	-	893,408	879,815
Capital grants and contributions	488,274	198,215	-	-	488,274	198,215
<b>Total program revenues</b>	<b>2,805,716</b>	<b>2,695,045</b>	<b>2,540,954</b>	<b>2,592,509</b>	<b>5,346,670</b>	<b>5,287,554</b>
General revenues:						
Property taxes	1,287,307	1,444,702	-	-	1,287,307	1,444,702
Income taxes	10,619,256	6,988,308	-	-	10,619,256	6,988,308
Other local taxes	353,028	429,617	-	-	353,028	429,617
Unrestricted grants and entitlements	883,872	418,133	-	-	883,872	418,133
Investment earnings	6,964	17,322	2,388	4,118	9,352	21,440
Miscellaneous	131,865	79,607	5,272	106,598	137,137	186,205
<b>Total general revenues</b>	<b>13,282,292</b>	<b>9,377,689</b>	<b>7,660</b>	<b>110,716</b>	<b>13,289,952</b>	<b>9,488,405</b>
<b>Total revenues</b>	<b>16,088,008</b>	<b>12,072,734</b>	<b>2,548,614</b>	<b>2,703,225</b>	<b>18,636,622</b>	<b>14,775,959</b>
<b>Expenses</b>						
Program expenses:						
General government	2,647,760	2,617,179	-	-	2,647,760	2,617,179
Security of persons and property	6,455,779	5,984,715	-	-	6,455,779	5,984,715
Public health and welfare	37,842	34,247	-	-	37,842	34,247
Transportation	1,323,948	949,330	-	-	1,323,948	949,330
Community environment	654,960	859,585	-	-	654,960	859,585
Leisure time activity	562,073	529,846	-	-	562,073	529,846
Economic development	300	300	-	-	300	300
Utility services	911,716	777,657	-	-	911,716	777,657
Interest and fiscal charges	117,852	185,279	-	-	117,852	185,279
Water	-	-	2,610,671	2,378,866	2,610,671	2,378,866
<b>Total expenses</b>	<b>12,712,230</b>	<b>11,938,138</b>	<b>2,610,671</b>	<b>2,378,866</b>	<b>15,322,901</b>	<b>14,317,004</b>
Increase (decrease) in net assets before transfers and extraordinary items	3,375,778	134,596	(62,057)	324,359	3,313,721	458,955
Extraordinary item	(4,600,000)	-	-	-	(4,600,000)	-
Transfers	(35,539)	(35,621)	35,539	35,621	-	-
<b>Change in net assets</b>	<b>(1,259,761)</b>	<b>98,975</b>	<b>(26,518)</b>	<b>359,980</b>	<b>(1,286,279)</b>	<b>458,955</b>
Net assets at beginning of year	12,505,248	12,406,273	8,169,960	7,809,980	20,675,208	20,216,253
<b>Net assets at end of year</b>	<b>\$ 11,245,487</b>	<b>\$ 12,505,248</b>	<b>\$ 8,143,442</b>	<b>\$ 8,169,960</b>	<b>\$ 19,388,929</b>	<b>\$ 20,675,208</b>

## CITY OF STREETSBORO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

#### Governmental Activities

Governmental activities net assets decreased \$1,259,761 in 2010. This decrease is primarily due to an extraordinary item of \$4,600,000.

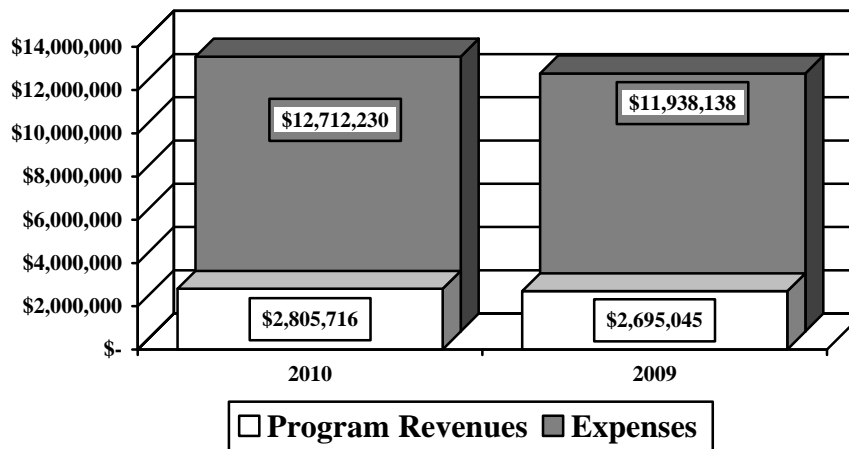
Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$6,455,779 which accounted for 50.78% of the total governmental expenses of the City. These expenses were partially funded by \$583,102 in direct charges to users of the services and \$22,536 in operating grants and contributions. General government expenses totaled \$2,647,760 which was partially funded by \$521,069 in direct charges to users of the services.

The State and Federal government contributed to the City a total of \$893,408 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$864,556 subsidized transportation programs and \$22,536 subsidized security of persons and property activities.

General revenues totaled \$13,282,292, and amounted to 82.56% of total governmental activities revenues. These revenues primarily consist of property, income and other local tax revenue of \$12,259,591. 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 \$883,872.

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

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



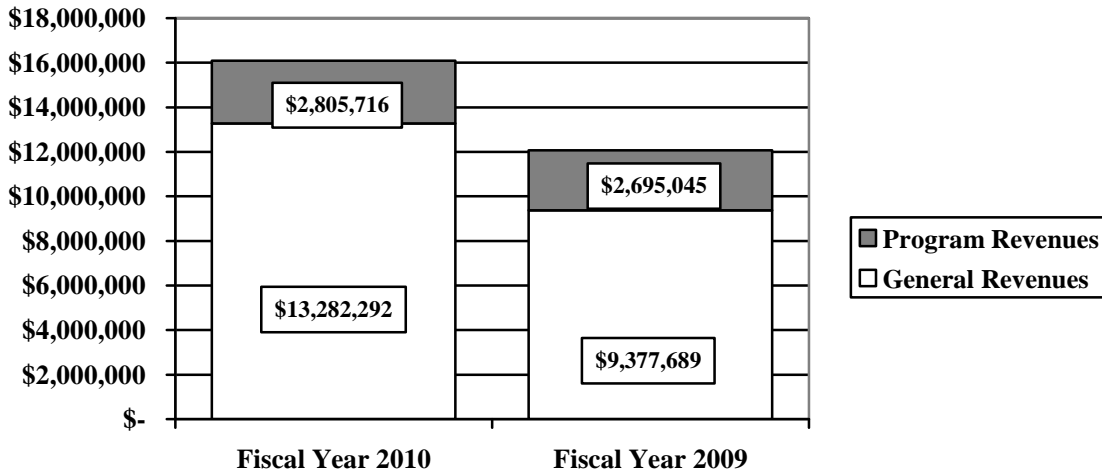
**CITY OF STREETSBORO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**Governmental Activities**

	Total Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009
Program expenses:				
General government	\$ 2,647,760	\$ 2,617,179	\$ 2,126,691	\$ 1,957,009
Security of persons and property	6,455,779	5,984,715	5,850,141	5,282,630
Public health and welfare	37,842	34,247	17,373	8,772
Transportation	1,323,948	949,330	(28,882)	(67,898)
Community environment	654,960	859,585	486,054	654,078
Leisure time activity	562,073	529,846	451,199	448,611
Economic development	300	300	300	300
Utility services	911,716	777,657	885,786	774,312
Interest and fiscal charges	117,852	185,279	117,852	185,279
<b>Total expenses</b>	<b>\$ 12,712,230</b>	<b>\$ 11,938,138</b>	<b>\$ 9,906,514</b>	<b>\$ 9,243,093</b>

**Governmental Activities - General and Program Revenues**



**Business-type Activities**

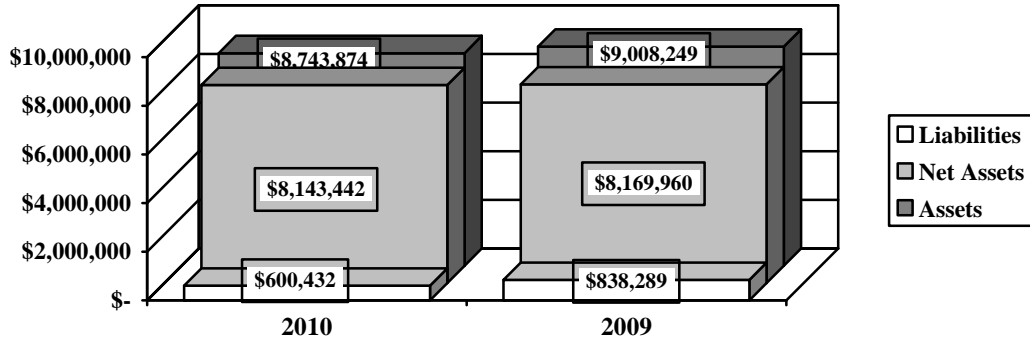
Business-type activities include the water enterprise fund. This program had program revenues of \$2,540,954, general revenues of \$7,660 and expenses of \$2,610,671 for 2010. Net assets decreased \$26,518 from 2009 net assets. This decrease was due to a decrease in program revenues of \$51,555 not being sufficient to cover an increase of expenses of \$231,805.

**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

**Net Assets in Business – Type Activities**



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

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

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$5,962,725 which is a \$1,364,923 increase from last year's total of \$4,597,802. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2010 for all major and nonmajor governmental funds.

	Fund Balances 12/31/10	Fund Balances 12/31/09	Increase (Decrease)
Major funds:			
General	\$ 3,252,332	\$ 1,805,940	\$ 1,446,392
Capital Improvement	797,918	793,110	4,808
Other nonmajor governmental funds	<u>1,912,475</u>	<u>1,998,752</u>	<u>(86,277)</u>
Total	<u>\$ 5,962,725</u>	<u>\$ 4,597,802</u>	<u>\$ 1,364,923</u>



**CITY OF STREETSBORO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

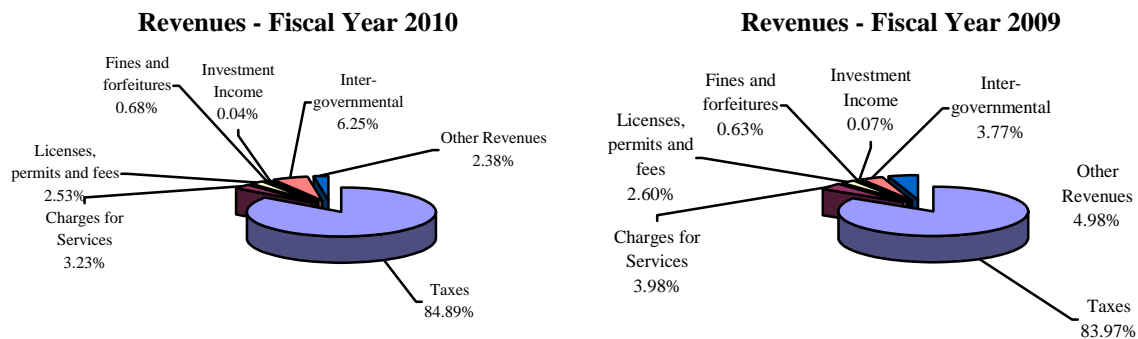
**General Fund**

The City's general fund balance increased \$1,446,392 or 80.09% from 2009. The table that follows assists in illustrating the revenues of the general fund.

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
<b>Revenues</b>			
Taxes	\$ 9,902,994	\$ 8,441,495	17.31 %
Charges for services	378,543	400,171	(5.40) %
Licenses, permits and fees	295,925	261,373	13.22 %
Fines and forfeitures	79,457	63,068	25.99 %
Intergovernmental	766,114	379,715	101.76 %
Investment income	4,625	7,432	(37.77) %
Other	<u>278,639</u>	<u>500,211</u>	(44.30) %
<b>Total</b>	<u>\$ 11,706,297</u>	<u>\$ 10,053,465</u>	16.44 %

Tax revenue represents 84.60% of all general fund revenue. Taxes increased 17.31% during 2010 due to voters approving an increase from 1% to 2% on May 5<sup>th</sup>, 2009 and the City receiving a full year of collections at the increased rate during fiscal year 2010. The increase in licenses, permits and fees is primarily due to an increase in contractor registration. The increase in fines and forfeitures is primarily due to an increase in police fines and forfeitures. Intergovernmental revenue increased due to monies that were previously recorded as taxes being more accurately recorded as intergovernmental revenue during fiscal year 2010. The decrease in charges for services can be attributed to a decrease in receivables for ambulance services. The decrease in other revenue is primarily due to a decrease in receipts from First Energy.

The graphs below display general fund revenues by category for 2010 and 2009:



**CITY OF STREETSBORO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

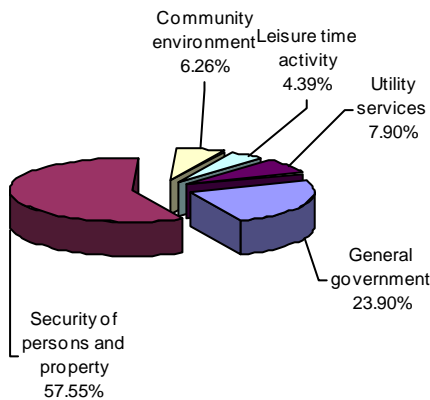
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 2,400,589	\$ 2,392,641	0.33 %
Security of persons and property	5,781,006	5,409,899	6.86 %
Community environment	629,224	827,682	(23.98) %
Leisure time activity	441,235	438,573	0.61 %
Utility services	<u>793,323</u>	<u>680,444</u>	16.59 %
<b>Total</b>	<b><u>\$ 10,045,377</u></b>	<b><u>\$ 9,749,239</u></b>	3.04 %

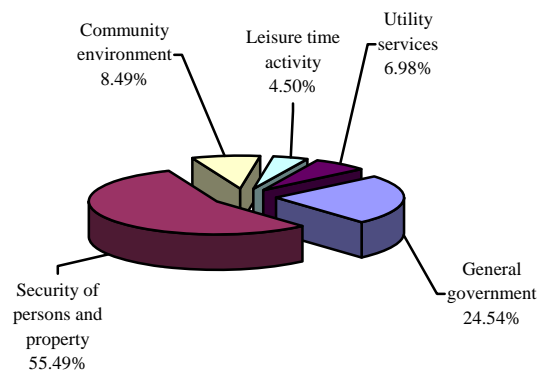
Security of persons and property increased \$371,107 over the prior fiscal year. This is due to increasing costs in wages and benefits for the City's police and fire departments. Community environment decreased \$198,458 over the prior fiscal year. This decrease was primarily due to decreases in expenditures for the planning department. Utility services increased \$112,879 over the prior fiscal year. This increase is primarily due to an increase in fuel and maintenance costs for the City's service vehicles.

The graphs below display general fund expenditures by function for 2010 and 2009:

**Expenditures - 2010**



**Expenditures - 2009**



***Capital Improvement Fund***

The capital improvement fund had revenues and other financing sources of \$1,861,529 in 2010. This represents an increase of \$669,868 from 2009 revenues. The expenditures of the capital improvement fund, which totaled \$1,856,721 in 2010, increased \$726,419 from 2009. The net increase in fund balance for the capital improvement fund was \$4,808.

**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

***Budgeting Highlights***

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

In the general fund, the actual revenues and other financing sources came in \$1,082,753 more than they were in the final budget and actual expenditures were \$795,267 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues stayed the same from the original to the final budget. Budgeted expenditures increased \$380,460 from the original to the final budget.

***Proprietary Fund***

The City's proprietary fund provides the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The City had no internal balances between business-type activities and governmental activities at December 31, 2010.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2010, the City had \$18,402,209, net of accumulated depreciation, invested in land, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. Of this total, \$12,633,807 was reported in governmental activities and \$5,768,402 was reported in business-type activities. The following table shows December 31, 2010 balances compared to December 31, 2009.

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

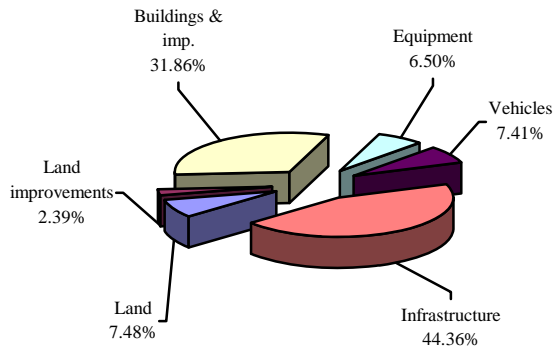
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 945,240	\$ 945,240	\$ -	\$ -	\$ 945,240	\$ 945,240
Construction-in-progress	-	198,215	-	-	-	198,215
Land improvements	301,954	346,269	-	-	301,954	346,269
Buildings and improvements	4,025,749	4,147,321	-	-	4,025,749	4,147,321
Equipment	821,002	978,590	193,474	220,464	1,014,476	1,199,054
Vehicles	936,649	1,067,833	198,911	225,815	1,135,560	1,293,648
Infrastructure	<u>5,603,213</u>	<u>4,510,919</u>	<u>5,376,017</u>	<u>5,754,137</u>	<u>10,979,230</u>	<u>10,265,056</u>
Totals	<u>\$ 12,633,807</u>	<u>\$ 12,194,387</u>	<u>\$ 5,768,402</u>	<u>\$ 6,200,416</u>	<u>\$ 18,402,209</u>	<u>\$ 18,394,803</u>

**CITY OF STREETSBORO, OHIO**

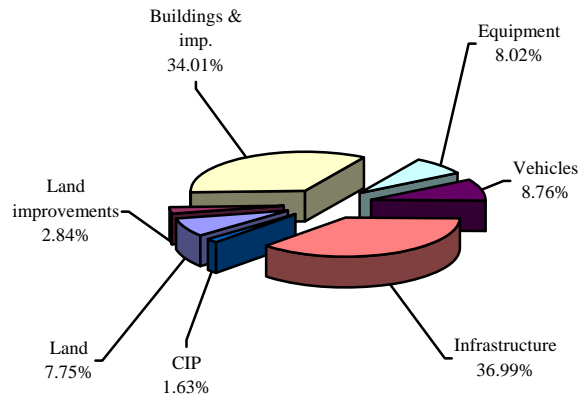
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

The following graphs show the breakdown of governmental capital assets by category for 2010 and 2009.

**Capital Assets - Governmental Activities 2010**



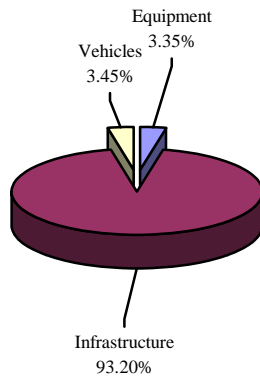
**Capital Assets - Governmental Activities 2009**



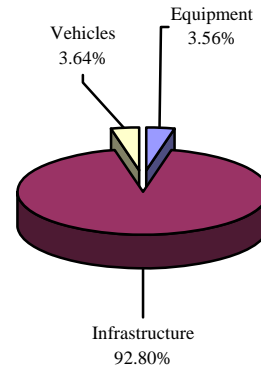
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The City only began reporting infrastructure in fiscal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

The following graphs show the breakdown of business-type capital assets by category for 2010 and 2009.

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



**Capital Assets - Business-Type Activities 2009**



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 93.20% of the City's total business-type capital assets.

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

**CITY OF STREETSBORO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

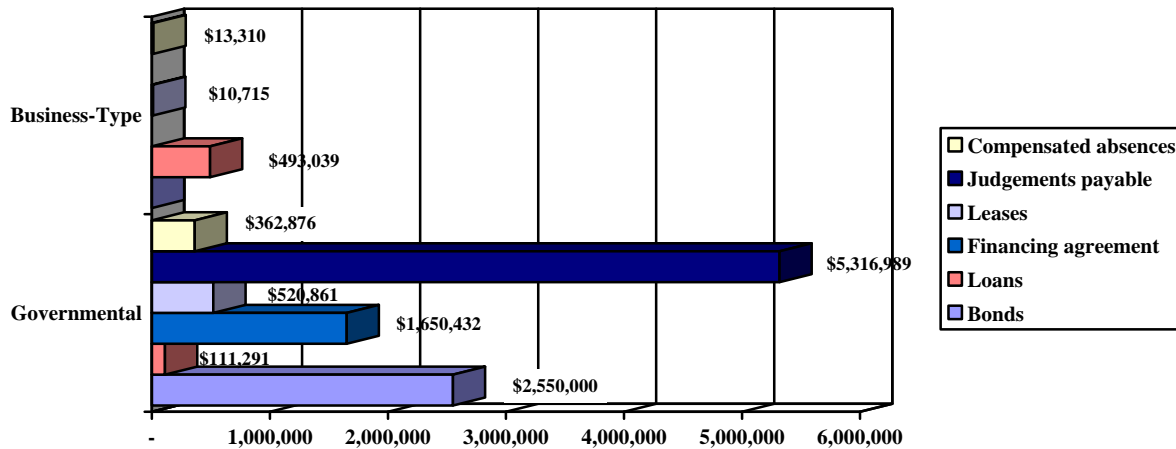
**Debt Administration**

The City had the following long-term obligations outstanding at December 31, 2010 and 2009.

	Governmental Activities	
	2010	2009
General obligation bonds payable	\$ 2,550,000	\$ 2,725,000
OPWC loans	111,291	141,120
Tax incremental financing agreement	1,650,432	1,754,101
Capital lease obligation payable	520,861	678,790
Judgements payable	5,316,989	781,989
<b>Total long-term obligations</b>	<b>\$ 10,149,573</b>	<b>\$ 6,081,000</b>
	Business-type Activities	
	2010	2009
OWDA Loans	\$ 493,039	\$ 503,483
Capital lease obligation payable	10,715	177,117
<b>Total long-term obligations</b>	<b>\$ 503,754</b>	<b>\$ 680,600</b>

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

**Long-term obligations**



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

## **CITY OF STREETSBORO, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010**

#### **Economic Conditions and Outlook**

The following economic factors were taken into consideration in preparing the budget for 2011:

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

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

The City's budgets were forecast conservatively for 2011 based on local, state and national economic conditions and trends. The service needs of the citizens of Streetsboro were taken into account as were the ongoing financial condition of the City and any applicable budgetary constraints.

#### **Contacting the City's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF STREETSBORO, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2010

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 4,384,991	\$ 2,522,255	\$ 6,907,246
Receivables (net of allowances for uncollectibles):			
Income taxes . . . . .	3,686,402	-	3,686,402
Real and other taxes . . . . .	1,267,600	-	1,267,600
Accounts . . . . .	292,421	448,539	740,960
Special assessments . . . . .	116,179	-	116,179
Due from other governments . . . . .	672,791	-	672,791
Prepayments . . . . .	42,247	4,678	46,925
Materials and supplies inventory . . . . .	35,767	-	35,767
Loans receivable . . . . .	218,380	-	218,380
Unamortized bond issue costs . . . . .	98,952	-	98,952
Capital assets:			
Land . . . . .	945,240	-	945,240
Depreciable capital assets, net . . . . .	11,688,567	5,768,402	17,456,969
Total capital assets, net . . . . .	12,633,807	5,768,402	18,402,209
<b>Total assets . . . . .</b>	<b>23,449,537</b>	<b>8,743,874</b>	<b>32,193,411</b>
<b>Liabilities:</b>			
Accounts payable . . . . .	100,484	2,933	103,417
Accrued wages and benefits . . . . .	114,157	9,313	123,470
Due to other governments . . . . .	156,958	63,682	220,640
Unearned revenue . . . . .	1,170,532	-	1,170,532
Accrued interest payable . . . . .	4,215	-	4,215
Pension obligation payable . . . . .	198,459	7,440	205,899
Long-term liabilities:			
Due within one year . . . . .	5,429,529	19,003	5,448,532
Due in more than one year. . . . .	5,029,716	498,061	5,527,777
<b>Total liabilities . . . . .</b>	<b>12,204,050</b>	<b>600,432</b>	<b>12,804,482</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	8,787,870	5,264,648	14,052,518
Restricted for:			
Capital projects . . . . .	1,575,007	-	1,575,007
Debt service . . . . .	451,693	-	451,693
Transportation projects . . . . .	501,452	-	501,452
Community development projects . . . . .	553,266	-	553,266
Recreation . . . . .	106,548	-	106,548
Cemetery . . . . .	94,242	-	94,242
Convention and visitor's bureau . . . . .	35,764	-	35,764
Police and fire departments . . . . .	173,105	-	173,105
Other purposes . . . . .	21,105	-	21,105
Unrestricted (deficit). . . . .	(1,054,565)	2,878,794	1,824,229
<b>Total net assets . . . . .</b>	<b>\$ 11,245,487</b>	<b>\$ 8,143,442</b>	<b>\$ 19,388,929</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government . . . . .	\$ 2,647,760	\$ 521,069	\$ -	\$ -
Security of persons and property . . . . .	6,455,779	583,102	22,536	-
Public health and welfare . . . . .	37,842	20,469	-	-
Transportation . . . . .	1,323,948	-	864,556	488,274
Community environment . . . . .	654,960	168,906	-	-
Leisure time activity . . . . .	562,073	104,558	6,316	-
Economic development . . . . .	300	-	-	-
Utility services . . . . .	911,716	25,930	-	-
Interest and fiscal charges . . . . .	117,852	-	-	-
Total governmental activities . . . . .	<u>12,712,230</u>	<u>1,424,034</u>	<u>893,408</u>	<u>488,274</u>
<b>Business-type activities:</b>				
Water . . . . .	<u>2,610,671</u>	<u>2,540,954</u>	<u>-</u>	<u>-</u>
Total business-type activities . . . . .	<u>2,610,671</u>	<u>2,540,954</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 15,322,901</u>	<u>\$ 3,964,988</u>	<u>\$ 893,408</u>	<u>\$ 488,274</u>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	
Debt service . . . . .	
Police pension . . . . .	
Convention and visitors . . . . .	
Income taxes levied for:	
General purposes . . . . .	
Capital projects . . . . .	
Other local taxes . . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	
Miscellaneous . . . . .	
Total general revenues . . . . .	
Extraordinary item . . . . .	
Transfers . . . . .	
Change in net assets . . . . .	
<b>Net assets at beginning of year . . . . .</b>	
<b>Net assets at end of year . . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (2,126,691)	\$ -	\$ (2,126,691)
(5,850,141)	-	(5,850,141)
(17,373)	-	(17,373)
28,882	-	28,882
(486,054)	-	(486,054)
(451,199)	-	(451,199)
(300)	-	(300)
(885,786)	-	(885,786)
(117,852)	-	(117,852)
(9,906,514)	-	(9,906,514)
-	(69,717)	(69,717)
-	(69,717)	(69,717)
(9,906,514)	(69,717)	(9,976,231)
764,541	-	764,541
284,048	-	284,048
120,985	-	120,985
117,733	-	117,733
9,364,354	-	9,364,354
1,254,902	-	1,254,902
353,028	-	353,028
883,872	-	883,872
6,964	2,388	9,352
131,865	5,272	137,137
13,282,292	7,660	13,289,952
(4,600,000)	-	(4,600,000)
(35,539)	35,539	-
(1,259,761)	(26,518)	(1,286,279)
12,505,248	8,169,960	20,675,208
\$ 11,245,487	\$ 8,143,442	\$ 19,388,929

**CITY OF STREETSBORO, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 2,304,249	\$ 527,906	\$ 1,552,836	\$ 4,384,991
Receivables (net of allowances for uncollectibles):				
Income taxes . . . . .	3,009,307	677,095	-	3,686,402
Real and other taxes . . . . .	833,014	-	434,586	1,267,600
Accounts . . . . .	233,936	-	58,485	292,421
Special assessments . . . . .	-	-	116,179	116,179
Due from other governments . . . . .	279,379	919	392,493	672,791
Prepayments . . . . .	42,247	-	-	42,247
Materials and supplies inventory . . . . .	32,935	-	2,832	35,767
Loans receivable . . . . .	-	-	218,380	218,380
Total assets . . . . .	<u>\$ 6,735,067</u>	<u>\$ 1,205,920</u>	<u>\$ 2,775,791</u>	<u>\$ 10,716,778</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 81,366	\$ 12,353	\$ 6,765	\$ 100,484
Accrued wages and benefits . . . . .	107,416	-	6,741	114,157
Compensated absences . . . . .	6,450	-	-	6,450
Due to other governments . . . . .	156,861	-	97	156,958
Pension obligation payable . . . . .	175,135	-	23,324	198,459
Deferred revenue . . . . .	2,188,607	395,649	422,757	3,007,013
Unearned revenue . . . . .	766,900	-	403,632	1,170,532
Total liabilities . . . . .	<u>3,482,735</u>	<u>408,002</u>	<u>863,316</u>	<u>4,754,053</u>
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	297,150	45,275	26,683	369,108
Reserved for prepayments . . . . .	42,247	-	-	42,247
Reserved for materials and supplies inventory . . . . .	32,935	-	2,832	35,767
Reserved for loans receivable . . . . .	-	-	218,380	218,380
Reserved for debt service . . . . .	-	-	310,020	310,020
Unreserved, undesignated, reported in:				
General fund . . . . .	2,880,000	-	-	2,880,000
Special revenue funds . . . . .	-	-	1,001,860	1,001,860
Capital projects funds . . . . .	-	752,643	352,700	1,105,343
Total fund balances . . . . .	<u>3,252,332</u>	<u>797,918</u>	<u>1,912,475</u>	<u>5,962,725</u>
Total liabilities and fund balances . . . . .	<u>\$ 6,735,067</u>	<u>\$ 1,205,920</u>	<u>\$ 2,775,791</u>	<u>\$ 10,716,778</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, 2010

<b>Total governmental fund balances</b>	\$	5,962,725
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,633,807
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Real and other taxes receivable	\$ 70,519	
Income taxes receivable	2,154,086	
Accounts receivable	242,513	
Special assessments receivable	116,179	
Due from other governments	423,716	
Total	423,716	3,007,013
On the statement of net assets interest is accrued on outstanding bonds payable, whereas in governmental funds, interest is accrued when due.		(4,215)
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.		98,952
Unamortized deferred charges on refundings are not recognized in governmental funds.		66,365
Unamortized premiums on bond issuance are not recognized in governmental funds.		(13,161)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
General obligation bonds payable	(2,550,000)	
OPWC loans	(111,291)	
Tax incremental financing agreement	(1,650,432)	
Capital lease payable	(520,861)	
Judgements payable	(5,316,989)	
Compensated absences	(356,426)	
Total	(10,505,999)	(10,505,999)
<b>Net assets of governmental activities</b>	<b>\$</b>	<b>11,245,487</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 8,795,751	\$ 921,875	\$ -	\$ 9,717,626
Property and other taxes . . . . .	1,107,243	-	517,331	1,624,574
Charges for services . . . . .	378,543	-	237,639	616,182
Licenses and permits . . . . .	295,925	-	-	295,925
Fines and forfeitures . . . . .	79,457	-	17,407	96,864
Intergovernmental . . . . .	766,114	488,274	987,465	2,241,853
Special assessments . . . . .	-	-	139,435	139,435
Investment income . . . . .	4,625	-	2,339	6,964
Rental income . . . . .	-	-	690	690
Other . . . . .	278,639	78,132	53,043	409,814
Total revenues . . . . .	<u>11,706,297</u>	<u>1,488,281</u>	<u>1,955,349</u>	<u>15,149,927</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,400,589	40,957	125,034	2,566,580
Security of persons and property . . . . .	5,781,006	-	201,493	5,982,499
Public health and welfare . . . . .	-	-	21,896	21,896
Transportation . . . . .	-	-	971,205	971,205
Community environment . . . . .	629,224	-	-	629,224
Leisure time activity . . . . .	441,235	-	79,722	520,957
Economic development . . . . .	-	-	300	300
Utility services . . . . .	793,323	-	-	793,323
Capital outlay . . . . .	-	1,429,140	50,907	1,480,047
Debt service:				
Principal retirement . . . . .	-	351,874	473,451	825,325
Interest and fiscal charges . . . . .	-	34,750	82,079	116,829
Bond issuance costs . . . . .	-	-	100,802	100,802
Total expenditures . . . . .	<u>10,045,377</u>	<u>1,856,721</u>	<u>2,106,889</u>	<u>14,008,987</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,660,920</u>	<u>(368,440)</u>	<u>(151,540)</u>	<u>1,140,940</u>
<b>Other financing sources (uses):</b>				
Bond issuance . . . . .	-	-	2,880,000	2,880,000
Sale of capital assets . . . . .	19,822	-	-	19,822
Payment to refunded bond escrow agent . . . . .	-	-	(2,792,605)	(2,792,605)
Capital lease transaction . . . . .	-	138,898	-	138,898
Transfers in . . . . .	-	234,350	-	234,350
Transfers (out) . . . . .	(234,350)	-	(35,539)	(269,889)
Premium on bond issuance . . . . .	-	-	13,407	13,407
Total other financing sources (uses) . . . . .	<u>(214,528)</u>	<u>373,248</u>	<u>65,263</u>	<u>223,983</u>
Net change in fund balances . . . . .	1,446,392	4,808	(86,277)	1,364,923
<b>Fund balances at beginning of year . . . . .</b>	<u>1,805,940</u>	<u>793,110</u>	<u>1,998,752</u>	<u>4,597,802</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,252,332</u>	<u>\$ 797,918</u>	<u>\$ 1,912,475</u>	<u>\$ 5,962,725</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

<b>Net change in fund balances - total governmental funds</b>	\$	1,364,923
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 1,374,498	
Current year depreciation	<u>(842,919)</u>	
Total		531,579
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.		
		(92,159)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	15,761	
Municipal income taxes	901,630	
Charges for services	12,933	
Special assessments	(35,766)	
Intergovernmental	<u>23,701</u>	
Total		918,259
Proceeds of capital lease transaction are reported as an other financing source in the governmental funds, but they increase liabilities on the statement of net assets.		
		(138,898)
Proceeds of bonds are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(2,880,000)
Payments to refunding bond escrow agents for the retirement of bonds are an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred in the fiscal year:		
Bonds refunded	2,725,000	
Deferred charges on refundings	<u>67,605</u>	
Total		2,792,605
Premiums on general obligation bonds are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(13,407)
Issuance costs on general obligation bonds are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		100,802

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**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, 2010**

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

Accrued interest	\$	1,821	
Amortization of deferred charges		(1,240)	
Amortization of bond premium		246	
Amortization of bond issuance costs		(1,850)	
<b>Total</b>		<b>(1,850)</b>	\$ (1,023)

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

General obligation bonds		330,000	
Tax incremental financing agreement		103,669	
Capital lease obligations		296,827	
Judgements payable		65,000	
Long-term loans		29,829	
<b>Total</b>		<b>825,325</b>	825,325

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. (67,767)

Judgements payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (4,600,000)

**Change in net assets of governmental activities** **\$ (1,259,761)**

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 7,998,988	\$ 7,998,988	\$ 8,813,974	\$ 814,986
Property and other taxes . . . . .	1,004,706	1,004,706	1,107,072	102,366
Charges for services. . . . .	351,273	351,273	387,063	35,790
Licenses and permits . . . . .	268,562	268,562	295,925	27,363
Fines and forfeitures . . . . .	69,427	69,427	76,501	7,074
Intergovernmental. . . . .	659,058	659,058	726,207	67,149
Investment income. . . . .	4,197	4,197	4,625	428
Other . . . . .	252,875	252,875	278,639	25,764
Total revenues . . . . .	<u>10,609,086</u>	<u>10,609,086</u>	<u>11,690,006</u>	<u>1,080,920</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,706,970	2,676,070	2,494,557	181,513
Security of persons and property . . . . .	6,172,516	6,182,742	5,824,673	358,069
Community environment . . . . .	791,221	779,770	691,757	88,013
Leisure time activity . . . . .	478,448	483,348	448,668	34,680
Utility services . . . . .	830,684	1,019,019	886,027	132,992
Total expenditures . . . . .	<u>10,979,839</u>	<u>11,140,949</u>	<u>10,345,682</u>	<u>795,267</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(370,753)</u>	<u>(531,863)</u>	<u>1,344,324</u>	<u>1,876,187</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	17,989	17,989	19,822	1,833
Transfers (out). . . . .	(15,000)	(234,350)	(234,350)	-
Total other financing sources (uses) . . . . .	<u>2,989</u>	<u>(216,361)</u>	<u>(214,528)</u>	<u>1,833</u>
Net change in fund balances . . . . .	(367,764)	(748,224)	1,129,796	1,878,020
<b>Fund balances at beginning of year . . . . .</b>	586,108	586,108	586,108	-
<b>Prior year encumbrances appropriated . . . . .</b>	248,987	248,987	248,987	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 467,331</u>	<u>\$ 86,871</u>	<u>\$ 1,964,891</u>	<u>\$ 1,878,020</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 DECEMBER 31, 2010

	<b>Business-type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>Water</b>	
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . .	\$	2,522,255
Receivables (net of allowance for uncollectibles):		
Accounts . . . . .		448,539
Prepayments . . . . .		4,678
Total current assets . . . . .		<u>2,975,472</u>
Noncurrent assets:		
Capital assets:		
Depreciable capital assets, net . . . . .		5,768,402
Total capital assets, net . . . . .		<u>5,768,402</u>
Total assets . . . . .		<u>8,743,874</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable . . . . .		2,933
Accrued wages and benefits . . . . .		9,313
Compensated absences . . . . .		3,998
Due to other governments . . . . .		63,682
Pension obligation payable . . . . .		7,440
Capital lease obligations . . . . .		4,031
OWDA loans payable . . . . .		10,974
Total current liabilities . . . . .		<u>102,371</u>
Long-term liabilities:		
Capital lease obligations . . . . .		6,684
OWDA loans payable . . . . .		482,065
Compensated absences . . . . .		9,312
Total long-term liabilities . . . . .		<u>498,061</u>
Total liabilities . . . . .		<u>600,432</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt . . . .		5,264,648
Unrestricted . . . . .		2,878,794
Total net assets . . . . .	\$	<u><u>8,143,442</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>Business-Type Activities Enterprise Fund</b>	
	<u>Water</u>	
<b>Operating revenues:</b>		
Charges for services . . . . .	\$	2,540,954
Other operating revenues . . . . .		5,272
Total operating revenues. . . . .		<u>2,546,226</u>
<b>Operating expenses:</b>		
Personal services . . . . .		648,312
Contract services. . . . .		1,433,995
Materials and supplies. . . . .		60,638
Depreciation. . . . .		432,014
Other . . . . .		1,954
Total operating expenses. . . . .		<u>2,576,913</u>
Operating loss . . . . .		<u>(30,687)</u>
<b>Nonoperating revenues (expenses):</b>		
Interest revenue . . . . .		2,388
Interest expense and fiscal charges . . . . .		<u>(33,758)</u>
Total nonoperating revenues (expenses). . . . .		<u>(31,370)</u>
Loss before transfers . . . . .		(62,057)
Transfer in . . . . .		<u>35,539</u>
Change in net assets . . . . .		(26,518)
<b>Net assets at beginning of year. . . . .</b>		<u>8,169,960</u>
<b>Net assets at end of year . . . . .</b>	\$	<u><u>8,143,442</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>Business-Type Activities</b>
	<b>Enterprise Fund</b>
	<u>Water</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers . . . . .	\$ 2,542,795
Cash received from other operations . . . . .	5,272
Cash payments for personal services . . . . .	(647,149)
Cash payments for contractual services . . . . .	(1,495,650)
Cash payments for materials and supplies . . . . .	(59,760)
Cash payments for other expenses . . . . .	(1,954)
	<hr/>
Net cash provided by operating activities . . . . .	343,554
	<hr/>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from transfers in . . . . .	35,539
	<hr/>
Net cash provided by noncapital financing activities . . . . .	35,539
	<hr/>
<b>Cash flows from capital and related financing activities:</b>	
Principal retirement on OWDA loans . . . . .	(10,444)
Principal retirement on capital leases . . . . .	(166,402)
Interest and fiscal charges . . . . .	(33,758)
	<hr/>
Net cash used in capital and related financing activities. . . . .	(210,604)
	<hr/>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	2,388
	<hr/>
Net cash provided by investing activities . . . . .	2,388
	<hr/>
Net increase in cash and cash equivalents . . . . .	170,877
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>2,351,378</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 2,522,255</b>
	<hr/> <hr/>

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**CITY OF STREETSBORO, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>Business-Type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>Water</b>	
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss . . . . .	\$	(30,687)
Adjustments:		
Depreciation . . . . .		432,014
Changes in assets and liabilities:		
Decrease in accounts receivable . . . . .		1,841
Decrease in prepayments . . . . .		1,397
Decrease in accounts payable . . . . .		(580)
Increase in accrued wages and benefits . . . . .		2,397
Decrease in intergovernmental payable . . . . .		(48,932)
Increase in compensated absences payable . . . . .		597
Increase in pension obligation payable . . . . .		2,812
Decrease in retainage payable . . . . .		(17,305)
		<hr/>
Net cash provided by operating activities . . . . .	\$	<u>343,554</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STREETSBORO, OHIO**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
DECEMBER 31, 2010**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 94,417
Total assets . . . . .	<u>\$ 94,417</u>
<b>Liabilities:</b>	
Undistributed monies . . . . .	\$ 94,417
Total liabilities. . . . .	<u>\$ 94,417</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, 2010

#### NOTE 1 - DESCRIPTION OF THE CITY

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

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

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

##### A. Reporting Entity

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

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

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

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

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

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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



## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

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

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

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

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

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

#### E. Basis of Accounting

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

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2010, are recorded as deferred revenue.

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

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

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

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

##### **F. Budgetary Data**

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

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

***Estimated Resources*** - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificates of estimated resources issued during 2010.

***Appropriations*** - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the transfers, advances and total of all other expenditures for all funds. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council prior to December 31, 2010.

***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, 2010

#### 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 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2010.

Investment income is distributed to the funds according to charter and statutory requirements. Interest revenue credited to the general fund during 2010 amounted to \$4,625 which includes \$2,304 assigned from other City funds.

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

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

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

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

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

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

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

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

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

**J. Compensated Absences**

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

In conformity with GASB Statement No. 16, “Accounting for Compensated Absences”, vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31, 2010 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

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

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

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

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

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

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

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

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

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

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

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

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

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

**O. Fund Balance Reserves**

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

**P. Estimates**

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

**Q. Net Assets**

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

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

**R. Operating Revenues and Expenses**

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. During 2010, the City was party to a lawsuit which had the potential to result in a verdict costing the City \$9,000,000. The City agreed to a settlement in the amount of \$4,600,000 for the dissolution of the lawsuit. This amount is reflected on the basic financial statements as an extraordinary item.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the City.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the City.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the City.

**B. Deficit Fund Balances**

Fund balances at December 31, 2010 included the following individual fund deficit:

<u>Nonmajor governmental fund</u>	<u>Deficit</u>
Police pension fund	\$ 3,792

The deficit fund balance in the police pension fund is the result of accrued liabilities at year end. The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur.

**C. Compliance**

Contrary to Ohio Revised Code Sections 5705.39 and 5705.36, the City had appropriations exceeding estimated resources in the Capital Improvement Fund at December 31, 2010.



## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

**A. Cash on Hand**

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

**B. Deposits with Financial Institutions**

At December 31, 2010, the carrying amount of all City deposits was \$76,771 exclusive of the \$3,459,258 repurchase agreements included in investment below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$84,887 of the City's bank balance of \$497,853 was exposed to custodial risk as discussed below, while \$412,966 was covered by the FDIC.

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

**C. Investments**

As of December 31, 2010, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment <u>Maturities</u> 6 months <u>or Less</u>
Repurchase agreements	\$ 3,459,258	\$ 3,459,258
STAR Ohio	<u>3,465,134</u>	<u>3,465,134</u>
Total	<u>\$ 6,924,392</u>	<u>\$ 6,924,392</u>

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City’s \$3,459,258 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment’s counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreements	\$ 3,459,258	49.96
STAR Ohio	<u>3,465,134</u>	<u>50.04</u>
Total	<u>\$ 6,924,392</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 76,771
Investments	6,924,392
Cash on hand	500
Total	<u>\$ 7,001,663</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,384,991
Business type activities	2,522,255
Agency fund	94,417
Total	<u>\$ 7,001,663</u>

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported in the fund financial statements:

Transfers from general fund to:

Capital improvement fund	\$ 234,350
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Transfers from nonmajor governmental funds to:

Water fund	<u>35,539</u>
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Total	<u>\$ 269,889</u>
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

**NOTE 6 - PROPERTY TAXES**

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Streetsboro. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2010 was \$2.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$	262,213,500
Commercial/industrial/mineral		171,070,600

Public utility

Real		20,930
Personal		6,574,370

Total assessed value	\$	<u>439,879,400</u>
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**NOTE 7 - LOCAL INCOME TAX**

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

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

Income tax revenues are distributed to the general and capital improvement funds. Total income tax revenues were \$9,717,626 in 2010.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2010, consisted of taxes, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2010, as well as intended to finance 2010 operations.

The loan receivable at December 31, 2010, represents revolving loans made to private enterprises under the United States Department of Housing and Urban Development Community Development Block Grant Program. The loans are due on February 21, 2015 and January 1, 2018 and bear interest rates of 5%. The loans are administered by Neighborhood Development Services.

A summary of the intergovernmental receivables follows:

<b>Governmental activities:</b>	<u>Amounts</u>
Local government state support	\$ 192,431
Motor vehicle and gas tax	355,406
Permissive license tax	18,486
Estate tax	40,643
Homestead and rollback	52,560
Other	<u>13,265</u>
Total	<u>\$ 672,791</u>

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

**NOTE 9 - SPECIAL ASSESSMENTS**

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

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

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 10 - CAPITAL ASSETS**

- A. Capital asset activity for governmental activities for the year ended December 31, 2010, was as follows:

<b>Governmental activities:</b>	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 945,240	\$ -	\$ -	\$ 945,240
Construction in progress	<u>198,215</u>	<u>515,112</u>	<u>(713,327)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,143,455</u>	<u>515,112</u>	<u>(713,327)</u>	<u>945,240</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,015,619	-	-	1,015,619
Buildings and improvements	5,881,127	-	-	5,881,127
Equipment	2,893,883	44,172	(37,866)	2,900,189
Vehicles	4,425,844	174,586	(1,016,031)	3,584,399
Infrastructure	<u>5,821,856</u>	<u>1,353,955</u>	<u>-</u>	<u>7,175,811</u>
Total capital assets, being depreciated	<u>20,038,329</u>	<u>1,572,713</u>	<u>(1,053,897)</u>	<u>20,557,145</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(669,350)	(44,315)	-	(713,665)
Buildings and improvements	(1,733,806)	(121,572)	-	(1,855,378)
Equipment	(1,915,293)	(190,150)	26,256	(2,079,187)
Vehicles	(3,358,011)	(225,221)	935,482	(2,647,750)
Infrastructure	<u>(1,310,937)</u>	<u>(261,661)</u>	<u>-</u>	<u>(1,572,598)</u>
Total accumulated depreciation	<u>(8,987,397)</u>	<u>(842,919)</u>	<u>961,738</u>	<u>(8,868,578)</u>
Total capital assets, being depreciated, net	<u>11,050,932</u>	<u>729,794</u>	<u>(92,159)</u>	<u>11,688,567</u>
Governmental activities capital assets, net	<u>\$ 12,194,387</u>	<u>\$ 1,244,906</u>	<u>\$ (805,486)</u>	<u>\$ 12,633,807</u>

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

- B.** Capital asset activity for business-type activities for the year ended December 31, 2010, was as follows:

	Balance			Balance
<b>Business-type activities:</b>	<u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/10</u>
<i>Capital assets, being depreciated:</i>				
Machinery and equipment	\$ 726,934	\$ -	\$ -	\$ 726,934
Vehicles	330,038	-	(40,999)	289,039
Sewer/water lines	<u>10,079,640</u>	-	-	<u>10,079,640</u>
Total capital assets, being depreciated	<u>11,136,612</u>	-	(40,999)	<u>11,095,613</u>
<i>Less: accumulated depreciation:</i>				
Machinery and equipment	(506,470)	(26,990)	-	(533,460)
Vehicles	(104,223)	(26,904)	40,999	(90,128)
Sewer/water lines	<u>(4,325,503)</u>	<u>(378,120)</u>	-	<u>(4,703,623)</u>
Total accumulated depreciation	<u>(4,936,196)</u>	<u>(432,014)</u>	<u>40,999</u>	<u>(5,327,211)</u>
Business-type activities capital assets, net	<u>\$ 6,200,416</u>	<u>\$ (432,014)</u>	<u>\$ -</u>	<u>\$ 5,768,402</u>

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

<b>Governmental activities:</b>	
General government	\$ 77,395
Security of persons and property	352,353
Public health and welfare	10,026
Transportation	240,864
Community environment	25,486
Leisure time activity	34,344
Utility services	<u>102,451</u>
Total depreciation expense - governmental activities	<u>\$ 842,919</u>
<b>Business-type activities:</b>	
Water	<u>\$ 432,014</u>



**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

At December 31, 2010, the capital assets under capital lease obligation have been capitalized in the amount of \$1,720,977 and \$133,339 in governmental activities and business-type activities, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2010 was \$902,204 and \$54,726 for governmental activities and business-type activities, respectively, which leaves book values of \$818,773 and \$78,613 for governmental activities and business-type activities, respectively.

For the City, corresponding liabilities were recorded in the governmental activities and business-type activities in the amounts of \$520,861 and \$10,715, respectively. In 2010, principal and interest payments for the governmental activities capital lease obligations totaled \$296,827 and \$36,612, respectively. These payments were made from the capital improvements fund (principal \$257,045) and from the street maintenance and repair nonmajor governmental fund (principal \$39,782). Capital lease payments in governmental fund have been reclassified on the financial statements to reflect debt principal and interest payments. These payments are reported as program expenditures on the budgetary statement. In 2010, principal and interest payments for the business-type activities capital lease obligations totaled \$166,402 and \$8,663, respectively. These payments were made from the water fund. Capital lease principal payments in proprietary funds are reclassified on the financial statements to reflect a reduction in the capital lease obligation remaining.

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2010:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2011	\$ 216,069	\$ 4,774	\$ 220,843
2012	184,909	4,775	189,684
2013	117,370	2,389	119,759
2014	<u>65,761</u>	<u>-</u>	<u>65,761</u>
Total future minimum lease payments	584,109	11,938	596,047
Less: amount representing interest	<u>(63,248)</u>	<u>(1,223)</u>	<u>(64,471)</u>
Present value of future minimum lease payments	<u>\$ 520,861</u>	<u>\$ 10,715</u>	<u>\$ 531,576</u>

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 12 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities**

During 2010, the following changes occurred in the City's governmental activities long-term obligations:

	Balance			Balance	Amounts
	12/31/09	Additions	Reductions	12/31/10	Due in
<b>Governmental activities:</b>					<b>One Year</b>
<u>General obligation bonds</u>					
1999 various purpose bonds - 3.90% to 5.55%	\$ 2,725,000	\$ -	\$(2,725,000)	\$ -	\$ -
2010 various purpose refunding bonds - 1.50% to 2.75%	-	2,880,000	(330,000)	2,550,000	280,000
Total general obligation bonds	<u>2,725,000</u>	<u>2,880,000</u>	<u>(3,055,000)</u>	<u>2,550,000</u>	<u>280,000</u>
<u>OPWC loans</u>					
St. Rt. 14 resurfacing, due 2011- 0%	20,000	-	(10,000)	10,000	10,000
Aurora, Hudson and Wellman, due 2017 - 0%	45,233	-	(6,031)	39,202	6,031
St. Rt. 303, Superior/Mt. Vernon, due 2015 - 0%	75,887	-	(13,798)	62,089	13,798
Total OPWC loans	<u>141,120</u>	<u>-</u>	<u>(29,829)</u>	<u>111,291</u>	<u>29,829</u>
<u>Other long-term obligations</u>					
Tax incremental financing agreement	1,754,101	-	(103,669)	1,650,432	100,000
Capital lease obligations	678,790	138,898	(296,827)	520,861	185,526
Judgments payable	781,989	4,600,000	(65,000)	5,316,989	4,700,000
Compensated absences	288,659	169,750	(95,533)	362,876	134,174
Total long-term obligations	<u>3,503,539</u>	<u>4,908,648</u>	<u>(561,029)</u>	<u>7,851,158</u>	<u>5,119,700</u>
Total governmental activities long-term obligations	<u>\$ 6,369,659</u>	<u>\$ 7,788,648</u>	<u>\$ (3,645,858)</u>	10,512,449	<u>\$ 5,429,529</u>
				Add: Unamortized premium on bond issue	13,161
				Less: Unamortized deferred charges on refunding	<u>(66,365)</u>
				Total reported on statement of net assets	<u>\$ 10,459,245</u>

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

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

On October 12, 2010, the City defeased the 1999 various purpose bonds by placing the proceeds of the 2010 various purpose refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2010, \$2,455,000 of this debt was outstanding.

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

The reacquisition price exceeded the net carrying amount of the old debt by \$67,605. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next nine years by \$323,983 and resulted in an economic gain of \$296,454.

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

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

Judgments payable - During the State Route 43 project, the City retained services of an outside consultant. The consultant and the City approved change orders related to the project. However, the Ohio Department of Transportation (ODOT) was not notified of these orders. Since ODOT and the City shared the costs associated with the project, ODOT's position is that it should be reimbursed for the change order of which it was not notified. The balance due to ODOT is \$716,989. ODOT has agreed to a 0% interest repayment schedule with the first payment due April 1, 2010 and the final payment due April 1, 2016.

During 2010, the City was party to a lawsuit due to the City denying a developer permission to develop land that was owned by the developer in prior years. The City determined there was potential for a verdict against the City that could exceed \$9,000,000. The City agreed to a settlement of \$4,600,000. The City issued bond anticipation notes in January 2011 to finance this liability. See Note 19 for detail.

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

<u>Year</u>	General Obligation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 280,000	\$ 47,782	\$ 327,782
2012	285,000	42,843	327,843
2013	295,000	38,494	333,494
2014	305,000	33,232	338,232
2015	305,000	27,132	332,132
2016 - 2019	1,080,000	51,327	1,131,327
Total	\$ 2,550,000	\$ 240,810	\$ 2,790,810

<u>Year</u>	OPWC Loans		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 29,829	\$ -	\$ 29,829
2012	19,829	-	19,829
2013	19,831	-	19,831
2014	19,829	-	19,829
2015	12,927	-	12,927
2016 - 2017	9,046	-	9,046
Total	\$ 111,291	\$ -	\$ 111,291

<u>Year</u>	Judgments Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 4,700,000	\$ -	\$ 4,700,000
2012	130,000	-	130,000
2013	130,000	-	130,000
2014	130,000	-	130,000
2015	130,000	-	130,000
2016	96,989	-	96,989
Total	\$ 5,316,989	\$ -	\$ 5,316,989

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

**B. Business-Type Activities**

The following changes occurred in the City’s business-type long-term obligations during 2010:

<b>Business-type activities:</b>	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/10</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>OWDA loan</u>					
Briar Root Manor Waterline, due 2034 - 5.01%	\$ 503,483	\$ -	\$ (10,444)	\$ 493,039	\$ 10,974
Total OWDA loans	<u>503,483</u>	<u>-</u>	<u>(10,444)</u>	<u>493,039</u>	<u>10,974</u>
<u>Other long-term obligations</u>					
Compensated absences	12,713	5,356	(4,759)	13,310	3,998
Capital lease obligations	<u>177,117</u>	<u>-</u>	<u>(166,402)</u>	<u>10,715</u>	<u>4,031</u>
Total other long-term obligations	<u>189,830</u>	<u>5,356</u>	<u>(171,161)</u>	<u>24,025</u>	<u>8,029</u>
Total business-type long term obligations	<u>\$ 693,313</u>	<u>\$ 5,356</u>	<u>\$ (181,605)</u>	<u>\$ 517,064</u>	<u>\$ 19,003</u>

OWDA loan - The City has entered into a debt financing arrangement through the Ohio Water Development Authority (OWDA) to fund construction projects. The amount due to the OWDA is payable solely from water revenues. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2010, the City has outstanding borrowings of \$493,039 for a waterline extension project. The loan bears an interest rate of 5.01% and matures on December 31, 2034. The loan is payable from the water fund in semi-annual installments.

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

Capital lease obligations - See Note 11 for lease details.

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

<u>Year</u>	<u>OWDA Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 10,974	\$ 24,565	\$ 35,539
2012	11,530	24,009	35,539
2013	12,115	23,424	35,539
2014	12,730	22,809	35,539
2015	13,376	22,163	35,539
2016 - 2020	77,770	99,925	177,695
2021 - 2025	99,602	78,093	177,695
2026 -2030	127,560	50,135	177,695
2031 - 2034	<u>127,382</u>	<u>14,774</u>	<u>142,156</u>
Total	<u>\$ 493,039</u>	<u>\$ 359,897</u>	<u>\$ 852,936</u>

**CITY OF STREETSBORO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

**C. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2010, the City's total debt margin was \$43,947,357 and the unvoted debt margin was \$24,193,367.

**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 2010, the City contracted for the following insurance coverage.

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

There has been no significant reduction in insurance coverage from 2009 and no insurance settlement has exceeded insurance coverage during the last three years.

## CITY OF STREETSBORO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### NOTE 13 - RISK MANAGEMENT - (Continued)

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

#### NOTE 14 - PENSION PLANS

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

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The City's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$267,932, \$239,358, and \$198,396, respectively; 91.32% has been contributed for 2010 and 100% has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$11,171 made by the City and \$7,979 made by the plan members.

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 14 - PENSION PLANS - (Continued)**

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

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2010, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$221,696 and \$201,678 for the year ended December 31, 2010, \$202,796 and \$193,676 for the year ended December 31, 2009, and \$209,328 and \$173,968 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 72.67% has been contributed for police 72.21% has been contributed for firefighters for 2010 with the remainder being recorded as a liability within the respective funds.

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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

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

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

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



**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$152,746, \$172,641, and \$198,936, respectively; 91.32% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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

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

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

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

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

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$117,369 and \$78,917 for the year ended December 31, 2010, \$107,362 and \$75,786 for the year ended December 31, 2009, and \$109,846 and \$67,643 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 72.67% has been contributed for police and 72.21% for firefighters for 2010 with the remainder being recorded as a liability within the respective funds.

**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.

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP); and,
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

**Net Change in Fund Balance**

	<u>General</u>
Budget basis	\$1,129,796
Net adjustment for revenue accruals	16,291
Net adjustment for expenditure accruals	(39,053)
Adjustment for encumbrances	<u>339,358</u>
GAAP basis	<u>\$1,446,392</u>

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2010.

**CITY OF STREETSBORO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 18 - CONTINGENCIES - (Continued)**

**B. Litigation**

The City is a party to legal proceedings seeking damages. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of the City's management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2010.

**NOTE 19 - SUBSEQUENT EVENT**

On January 26, 2011, the City issued \$4,600,000 par value bond anticipation notes in order to finance judgments payable as discussed in Note 12. The notes bear an interest rate of 1.4% and mature on January 26, 2012.



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

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**Independent Accountants' Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Mayor and Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the City of Streetsboro's basic financial statements and have issued our report thereon dated August 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Mayor and Members of Council  
City of Streetsboro

Compliance and Other Matters

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 two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2010-COS-001 and 2010-COS-002.

We also noted certain matters not requiring inclusion in this report that we reported to the City of Streetsboro's management in a separate letter date August 25, 2011.

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

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

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

Julian & Grube, Inc.  
August 25, 2011

**CITY OF STREETSBORO  
PORTAGE COUNTY, OHIO**

**SCHEDULE OF FINDINGS & RESPONSES  
DECEMBER 31, 2010**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-COS-001

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

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

<u>December 31, 2010</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Major Fund:			
Capital Improvement Fund	\$ 966,285	\$ 1,288,796	\$ 322,511

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

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

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

Finding Number	2010-COS-002
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Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the City Auditor that revenue to be collected will be greater or less than the amount in the last certified amended certificate.

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

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

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

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

**CITY OF STREETSBORO  
PORTAGE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2009-COS-001	Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed total estimated resources.	No	Finding 2010-COS-001
2009-COS-002	Ohio Revised Code Section 5705.36 requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the City Auditor that revenue to be collected will be greater or less than the amount in the last certified amended certificate.	No	Finding 2010-COS-002
N/A	Finding for Recovery - Thomas J. Wagner, former Mayor of the City of Streetsboro, participated in the City's opt-out insurance benefits program. Under this program, he was entitled to a total of \$5,684 for 2009. After review by the Assistant Finance Director, it was determined that the former Mayor was underpaid for such benefits. In computing the amount owed to the former Mayor as a result of such underpayment, a calculation error occurred. As a result, the former Mayor ended up being overcompensated in the amount of \$481.	No	Finding for recovery is unpaid





# Dave Yost • Auditor of State

**CITY OF STREETSBORO**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 15, 2011**