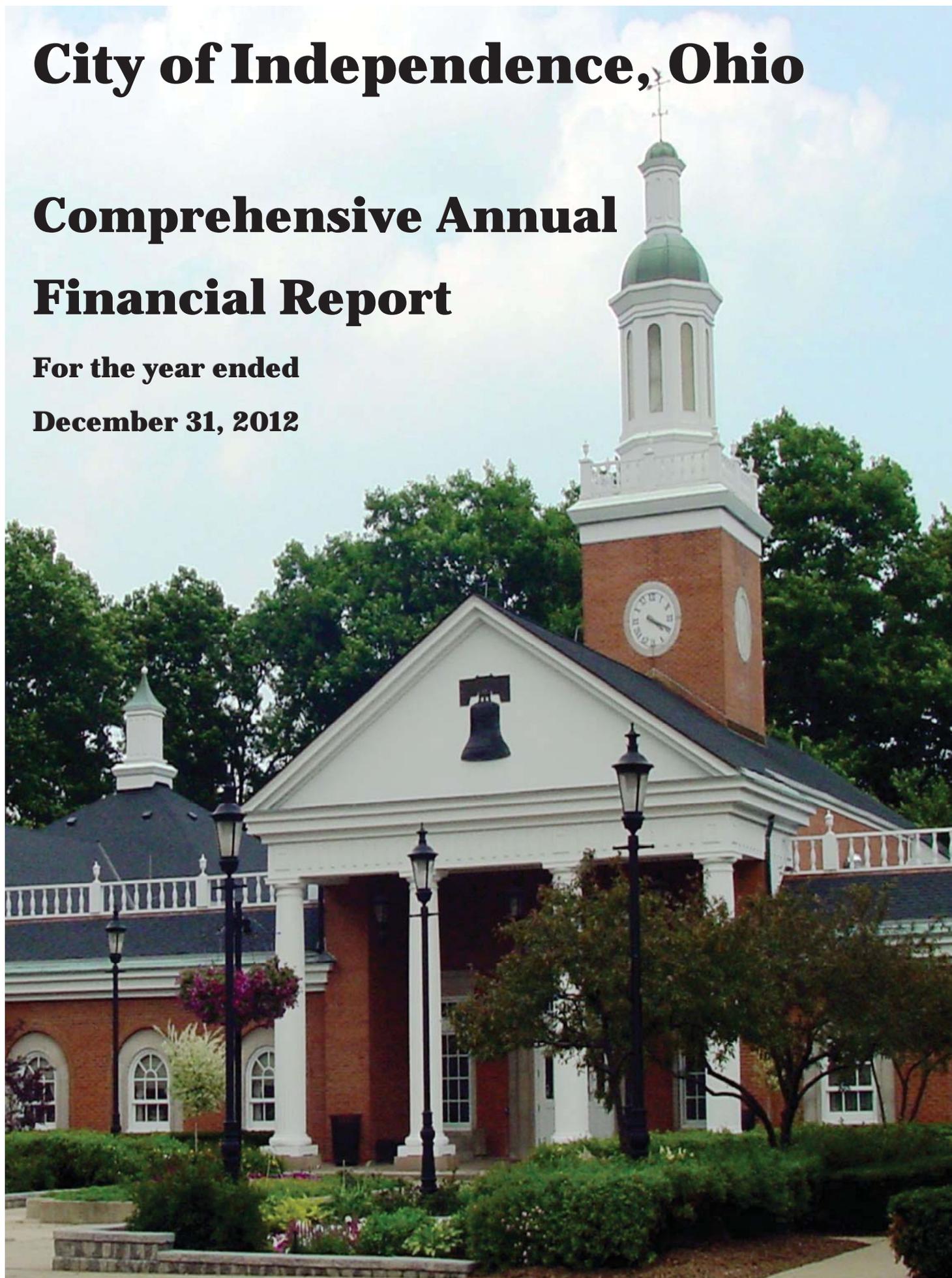


City of Independence, Ohio

Comprehensive Annual Financial Report

For the year ended

December 31, 2012





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Independence, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2012 through December 31, 2012. 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 Independence is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 16, 2013

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CITY OF INDEPENDENCE, OHIO

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2012

John M. Veres, CPA, CPFA
Finance Director

Prepared by the City Finance Department

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Introductory Section



City of Independence, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2012
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City of Independence, Ohio

"THE HEART OF CUYAHOGA COUNTY"

6800 BRECKSVILLE ROAD

INDEPENDENCE, OHIO 44131

(216) 524-4131

June 26, 2013

Honorable Citizens of Independence
and Members of City Council
Independence, Ohio

This report enables the City to comply with Ohio Administrative Code Section 117-2-03 (B), which requires reporting on a GAAP (Generally Accepted Accounting Principles) basis, and Ohio Revised Code Section 117.38 which requires the cities reporting on a GAAP basis to file an annual report with the Auditor of State within 150 days of year end.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Ciuni & Panichi, Inc., a Certified Public Accounting firm, has issued an unqualified ("clean") opinion of the City of Independence's financial statements for the year ended December 31, 2011. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent accountant's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the City

In 1814, the Township of Independence was named. Independence was then incorporated in 1914 and became a City on November 12, 1960. The commerce of the community was initially built around farming and sandstone quarrying. Most of the sandstone was loaded onto barges in the nearby Ohio & Erie Canal headed for downtown Cleveland to build many of the buildings in the City.

The current population is estimated to be 7,133 (as of the 2010 Census) indicating a comfortable average of approximately 710 persons per square mile in this City of 9.73 square miles (6,138.3 acres). Independence has the lowest property tax rate of any city in Cuyahoga County. The 2010 rate paid in 2011 is \$57.40 per one thousand dollars of assessed valuation (as of 1/1/10). The 2010 rate for Cleveland, for example, is \$102.70.

The City Hall and Police Facility was dedicated in 1982, and the Fire Station was dedicated in 1995. The Fire Station and equipment are manned by 22 full-time firefighters, all of whom are trained paramedics, and 10 part-time firefighters, 8 of whom are trained paramedics. There are 32 full-time and 2 part-time police officers on the staff of the Police Department.

The City is a home-rule municipal corporation operating under the laws of the State of Ohio. The City's current charter, its municipal constitution, has been amended seven times since its original adoption on November 4, 1958. The laws of the State of Ohio prevail when conflicts exist between the charter and the state constitution and in matters where the charter is silent. The Charter provides for a "Mayor-Council" form of government. The City's charter can only be amended by a majority vote of the electorate.

According to the Charter, the City of Independence's Chief Executive Officer is the Mayor who is elected by the voters for a four-year term to begin on the first day of January following the election. No person shall serve as Mayor for more than two (2) consecutive terms of office. The Mayor appoints, subject to the approval of Council, the Law Director, the Fire Chief, and Police Chief. He appoints all of the Directors to the City's Departments with the exception of the Director of Finance and the Clerk of Council. He serves as the conservator of the peace, and is responsible to the electors for enforcement of all laws and ordinances. The Mayor executes on behalf of the municipality all contracts, conveyances, and all other instruments to which the municipality is a party. The mayor is the official and ceremonial head of the City and shall receive all civil processes in any action wherein the municipality is a party. He also serves as the Safety Director and presides over Mayor's Court.

The Director of Finance is elected for a four-year term to begin on the first day of January following the election. He shall be bonded for the faithful performance of his duties before taking office. The amount of such bond shall be set by Council. The Director of Finance shall hold a bachelors degree from an accredited college or university and have had at least five (5) years experience in accounting or finance.

Legislative authority is vested in a seven-member Council who are elected at-large. Council members are elected for two-year terms through a non-partisan election process and can serve for five (5) consecutive terms. Their term of office begins January 1.

The Chief of Police and Fire Chief are appointed by the Mayor with the consent of a majority of the members elected to the Council. The Council sets maximum pay grade limits for each officer, employee and member of any board or commission of the City. The compensation of the Mayor, Director of Finance and Council shall be fixed not less than one hundred twenty (120) days prior to the term next beginning.

The Law Director and the Service Director are appointed by the Mayor with the consent of a majority of the members elected to the Council. The Mayor appoints the three members of the City's Civil Service Commission with the approval of a majority of the members elected to Council. The Council sets maximum pay grade limits for City officials and employees, and enacts legislation in the form of ordinances and resolutions relative to City services, tax levies, appropriating and borrowing monies, and other municipal purposes.

The Council is required to adopt a permanent appropriation measure within ninety days of the beginning of the year covered by such ordinance. The annual budget serves as the foundation for the City's financial planning and control.

Local Economy

From the beginning, Independence has become the most strategically located industrial, commercial and residential area in the County. It is a developing Cleveland suburb and continues to expand, primarily due to the junction of major interstates (I-77 and I-480). Employees can conveniently get to Independence either by car or bus. Bus service is provided by the Regional Transit Authority.

Independence is centrally located eight miles south of Cleveland. The northern part of the City of Independence, known as the Rockside Road area, has great access to the largest road network in Northern Ohio. Interstate-77 (the route to Columbia, South Carolina from Cleveland) intersects with Interstate-480, which is the outer belt south highway, connecting the east with the west across the County. Interstate-480 connects with Interstate-271 to the east and Interstate-71 to the west. The Ohio Turnpike connection is 10 miles south by Interstate-77 and Cleveland Hopkins Airport is 12 miles west off Interstate-480.

There are also many fine restaurants (over 35 of them to choose from), motels and hotels (12 of them with 1,884 available rooms) located within the City – Comfort Inn, Courtyard by Marriott, America’s Best Value Inn, Doubletree, Embassy Suites, Hampton Inn & Suites, Holiday Inn, Hyatt Place, LaQuinta, Red Roof Inn, Residence Inn by Marriott, and the Crowne Plaza, all with convenient access to the interstates.

Some of the prestigious businesses, of over 700 businesses, that have chosen to locate in Independence, are the Cleveland Clinic Foundation, Kichler Lighting, Cleveland Cavaliers NBA Basketball Team “Cleveland Clinic Courts” practice facility, Travelers Insurance, Farmers Insurance, Alcoa, CBIZ, ADP, Revol Communications, Nidec Avtron Automation, Independence Excavating, Novar Controls-Honeywell International, Inc., CSA International, Wegman, Hessler, & Vanderburg, Hylant Group, Dayton Heidelberg Distributing, Fedeli Group, Inc., Kent State University College of Podiatric Medicine, All Erection Crane Rental Co., and UTC Aerospace Systems.

Even though the City’s resident population is relatively small (7,133 as of the 2010 Census), the daytime population approaches 21,000 during the work week and when you include the vendor, customer, client, patient, and flow-through activity during the daytime, the commercial population can reach 35,000-40,000.

Major Initiatives

A former Lincoln/Mercury dealership has been redeveloped into a retail site that includes a new stand-alone Key Bank branch, a Panera Bread, DiBella’s Subs, a Melt Bar and Grilled, and a Verizon retail store.

The recently completed addition to the Independence Technology Center has increased the size of the facility by 138,000 square feet. Currently, the Cleveland Clinic Business Operations Center occupies most of the additional space and employs about 1,500 people. The intersection of Selig Drive / Brecksville Road was realigned and upgraded in conjunction with this project.

The City continued its commitment to fund infrastructure projects. These projects include road resurfacing, curbs, gutters, sidewalks, landscaping, water and sanitary sewer lines. The infrastructure of the City is well maintained and this is typified by the resurfacing of Quarry Lane, Rockside Place, and Valley Belt Road.

The City, driven by the Director of Finance, has aggressively pursued the use of Tax Increment Financing (TIF Financing) as an economic development tool. The City currently has 11 areas designated as TIF Financing districts and most recently used TIF Financing to help the Cleveland Clinic expansion at the Independence Technology Center by expanding the Selig Drive / Brecksville Road intersection.

Long-term Planning

In 2003 the City's Administration and Council created a Planned Capital Purchase Program with the passage of Ordinance 2003-26. The purpose of the program is to allow Council to appropriate for and encumber funds over a number of years for large capital purchases; purchase orders generated for these planned capital purchases will remain open until the year of acquisition.

In 2008 the City's Administration and Council expanded this program and created the first ever Five-Year Capital Plan. The plan was discussed and debated at length throughout the year and the completed plan was presented to Council on October 31st. The Five-Year Capital Plan is reviewed annually and the first year in the plan will be a part of the current year's appropriation.

Included in the five-year plan is a schedule of department capital improvements such as vehicle and equipment needs along with building improvements and land acquisition. Infrastructure improvements included are categorized as major street, sanitary sewer, storm sewer and sidewalk projects.

Having the Five-Year Capital Plan in place is very beneficial because it creates the need to think strategically and long-term. It also changes the vision of planning from one year at a time to looking five years into the future while considering how to pay for the improvements now and in the future.

Relevant Financial Policies

The City has been able to maintain a plan to minimize its debt. Since 2000 the City has been able to reduce its short-term debt from \$15,850,000 to \$7,100,000 while paying a total of \$6,700,000 in cash for two large capital improvement projects.

In 2003 the City was presented with the opportunity to become a partner with Cuyahoga County in the Rockside Road widening project that had been in the works since the early 1980's. By using Tax Increment Financing for the infrastructure improvements, the Director of Finance felt the additional funds would pay for the project costs, including interest, in full over the 30 years allotted under the TIF program.

The City borrowed \$8,800,000 for Phase I of the project in 2003 and \$5,800,000 in 2005 for Phase II of the project. In 2011 the City collected \$1,163,289 in TIF revenue which represented 119 percent of the debt service for the TIF borrowings. Total TIF revenue collected since the inception of the TIF program has now reached \$6,536,521.

Also in 2011, the Director of Finance recommended refunding the 2003 Bonds, 2011 par amount of \$17,305,000, resulting in a Net Present Value savings of \$1,839,118.

The City's total debt reached \$39,902,500 at December 31, 2005. A concentrated effort was made from that point forward to continue to reduce the City's total debt annually. By December 31, 2012, the City's total debt was reduced to \$29,794,906.

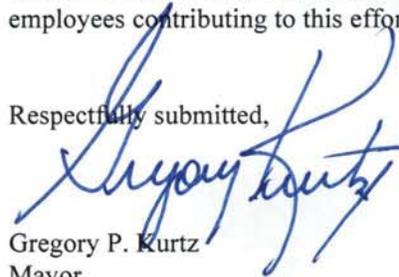
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized comprehensive annual financial report that satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

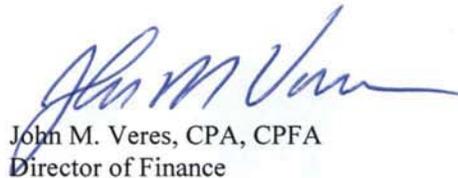
We would like to thank the Members of Council for their support in striving for excellence in financial reporting and disclosure. We also would like to thank the staff from the Local Government Services Section with the Auditor of State for their help in preparing the GASB 34 statements and our Comprehensive Annual Financial Report. They were helpful, cooperative, professional, and efficient and their assistance was extremely valuable.

This Comprehensive Annual Financial Report was prepared by the Finance Department with the efficient and dedicated service of its entire staff. I express my appreciation to each of them and to many of the City's other employees contributing to this effort.

Respectfully submitted,



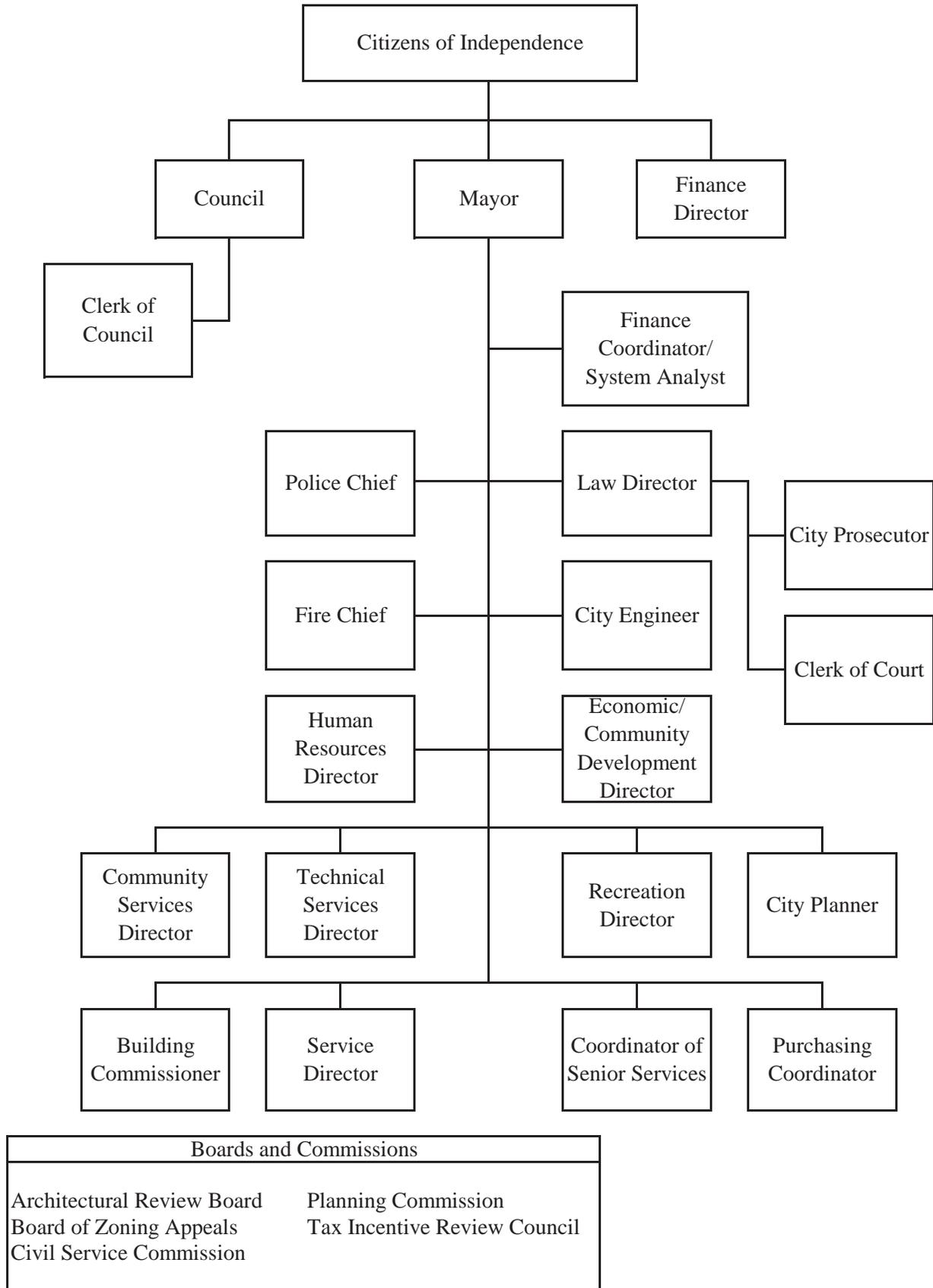
Gregory P. Kurtz
Mayor



John M. Veres, CPA, CPFA
Director of Finance

City of Independence

Organizational Chart



City of Independence, Ohio

List of Principal Officials

December 31, 2012

Elected Officials

MayorGregory P. Kurtz
Finance Director..... John M. Veres, CPA, CPFA
Vice Mayor Anthony Togliatti
Council MemberJames Riley
Council MemberJames F. Crooks
Council Member Carl Asseff
Council Member Patricia Wisnieski
Council MemberPeter Nelson
Council Member Thomas Narduzzi

Appointed Officials

Clerk of Council..... Sue Kurshuk
Director of Law/Prosecutor..... Greg O'Brien
City Prosecutor..... William Doyle

Administration

Human Resources Director Joseph T. Lubin
Finance Coordinator/Systems Analyst..... Vernon Blaze
Technical Services Director Tom Avsec
Community Services Director..... Natalie Buc
Police Chief..... John Nicastro, Jr.
City Engineer Don Ramm
City Planner Jeffrey S. Markley
Coordinator of Senior Services Kathleen Kapusta
Recreation Director Ed Kostyack
Fire Chief Steve Rega
Building Commissioner Carl Opatrny
Service Director David Snyderburn
Community/Economic Development Director Jeremy Rowan
Purchasing Coordinator Robert Williams
Clerk of Court Angela T. Zeleznik

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Independence
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

Financial Section



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Independent Auditor's Report

Members of the City Council
Independence, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Independence, Ohio (the "City"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Members of the City Council
Independence, Ohio

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2012, 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 accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the basic financial statements, in 2012, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Members of the City Council
Independence, Ohio

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 26, 2013

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City of Independence, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The discussion and analysis of the City of Independence's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, the basic financial statements, and the accompanying notes to those financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- ❖ The City remains vigilant and department heads and employees work together to find ways to create more efficiency to ensure that the City's Mission "*To provide essential services and to enhance the quality of community life in the most economic and efficient manner possible*" is carried out and implemented each and every day.
- ❖ 2011 saw the acquisition of a new automated rubbish truck and the introduction of the automated rubbish collection system. This was done at no cost to the residents for either the service or the containers. The new collection system is proving to be more efficient and safer for City workers. During 2012, the City purchased another automated truck to pick up recyclable items expanding this concept to its recycling collection system as well.
- ❖ The City has established several tax incremental financing (TIF) districts within the City under which the City has granted property tax exemptions and agreed to construct certain public infrastructure improvements. A taxpayer whose operations are located within the TIF districts continues to make payments to the jurisdiction in an amount equal to the real property tax liability that otherwise would have been due had the property not been exempted; however, the portion of the property tax on the incremental increase in value that would have gone to the County comes to the City to help pay for those public infrastructure improvements. Since the inception of these districts, the City has received more than \$6.5 million in payments in lieu of taxes (PILOT) revenue on a cash basis.
- ❖ The City issued an additional \$1,300,000 in general obligation notes for the Selig Drive intersection project bringing the total obligation for this project to \$3,600,000. The intersection at Selig Drive and Brecksville Road and the ITC facility driveway was upgraded and re-aligned to safely accommodate significant vehicular traffic due to the estimated 800 to 1,000 new Cleveland Clinic jobs coming to the ITC facility.
- ❖ The City applied \$2,300,000 towards bond anticipation note principal, which had an outstanding balance of \$4,800,000 at the beginning of 2012. This portion of the City's debt had an original principal balance of \$7,650,000, which was used for land acquisition and park improvements.

Using this Annual Financial Report

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

City of Independence, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The statement of net position and statement of activities provides information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Independence as a Whole

Statement of Net Position and the Statement of Activities

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

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

Reporting on the Most Significant Funds of the City of Independence

Fund Financial Statements

The fund financial statements, which begin on page 14, provide detailed information about the City's major funds and include the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. These statements tell how City services charged to major funds were financed in the short-term as well as what remains for future spending. For the City of Independence, the most significant governmental funds are the general fund, the quadrant tax increment financing (TIF) debt service fund, the capital improvements and the street resurfacing capital projects funds.

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

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The City of Independence as a Whole

Statement of Net Position

As noted earlier, the statement of net position looks at the City as a whole and can prove to be a useful indicator of the City's financial position. Table 1 provides a summary of the City's net position for 2012 and 2011.

Table 1
Net Position

	2012	2011	Change
Assets			
Current and Other Assets	\$29,698,943	\$26,517,843	\$3,181,100
Capital Assets, Net	92,061,150	91,271,292	789,858
Total Assets	<u>121,760,093</u>	<u>117,789,135</u>	<u>3,970,958</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	<u>369,953</u>	<u>395,035</u>	<u>(25,082)</u>
Liabilities			
Current and Other Liabilities	4,952,977	2,259,536	(2,693,441)
Long-Term Liabilities			
Due Within One Year	1,650,171	513,847	(1,136,324)
Due in More than One Year	26,936,254	30,791,662	3,855,408
Total Liabilities	<u>33,539,402</u>	<u>33,565,045</u>	<u>25,643</u>
Deferred Inflows of Resources			
Property Taxes and Payments in Lieu of Taxes	<u>1,994,909</u>	<u>2,067,934</u>	<u>73,025</u>
Net Position			
Net Investment in Capital Assets	62,244,507	61,396,249	848,258
Restricted:			
Capital Projects	6,332,527	5,970,224	362,303
State Highway	63,120	50,709	12,411
Street Construction, Maintenance and Repair	785,419	488,409	297,010
Police Pension	493,713	266,244	227,469
Other Purposes	612,104	382,347	229,757
Unrestricted	<u>16,064,345</u>	<u>13,997,009</u>	<u>2,067,336</u>
Total Net Position	<u><u>\$86,595,735</u></u>	<u><u>\$82,551,191</u></u>	<u><u>\$4,044,544</u></u>

As of December 31, 2012, the City's overall net position increased by \$4,044,544 from 2011. Further details of the changes in net position between 2012 and 2011 can be observed in Table 2.

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Table 2
Changes in Net Position

	2012	2011	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,555,456	\$1,420,709	\$134,747
Operating Grants and Contributions	534,869	448,183	86,686
Capital Grants and Assessments	95,572	387,666	(292,094)
<i>Total Program Revenues</i>	<u>2,185,897</u>	<u>2,256,558</u>	<u>(70,661)</u>
General Revenues			
Taxes	2,215,554	2,109,991	105,563
Municipal Income Taxes	25,743,991	24,050,310	1,693,681
Estate Taxes	173,733	4,785,946	(4,612,213)
Grant and Entitlements, Not Restricted to Specific Programs	230,790	457,658	(226,868)
Investment Income	89,027	75,505	13,522
Payments in Lieu of Taxes	1,289,281	934,263	355,018
Miscellaneous	683,675	621,536	62,139
<i>Total General Revenues</i>	<u>30,426,051</u>	<u>33,035,209</u>	<u>(2,609,158)</u>
<i>Total Revenues</i>	<u>32,611,948</u>	<u>35,291,767</u>	<u>(2,679,819)</u>
Program Expenses			
General Government	8,505,708	8,703,896	198,188
Security of Persons and Property	8,572,099	8,350,722	(221,377)
Public Health and Welfare	96,354	93,610	(2,744)
Leisure Time Activities	3,470,342	3,345,289	(125,053)
Community Environment	2,492,457	2,130,225	(362,232)
Basic Utility Services	578,200	913,604	335,404
Transportation	3,754,236	4,546,613	792,377
Interest and Fiscal Charges	1,098,008	386,620	(711,388)
<i>Total Expenses</i>	<u>28,567,404</u>	<u>28,470,579</u>	<u>(96,825)</u>
<i>Increase in Net Position</i>	4,044,544	6,821,188	(2,776,644)
<i>Net Position Beginning of Year</i>	<u>82,551,191</u>	<u>75,730,003</u>	<u>6,821,188</u>
<i>Net Position End of Year</i>	<u><u>\$86,595,735</u></u>	<u><u>\$82,551,191</u></u>	<u><u>\$4,044,544</u></u>

Governmental Activities

Several revenue sources fund our governmental activities with income tax revenue being the largest source. The City levies a municipal income tax of 2 percent on all income earned within the City as well as on income of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent, up to 2 percent, on the income earned outside of the City and paid to another municipality.

The City's strong commercial employment tax base has provided for a consistent level of withholding tax collections. This strong base has enabled the City to enjoy increased collections during economically strong periods, while at the same time maintaining fairly level collections during economic downturns. The City's

City of Independence, Ohio
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income tax base remains diversified in that the City is not reliant upon one taxpayer. This helps in giving the City stability in its budgeting process, knowing that the City's revenue stream will not be adversely affected by the loss of a major employer. During 2012, the Cleveland Clinic completed the expansion of its facilities across from City Hall which is expected to bring an additional 800-1,000 new jobs to Independence.

The City carefully invests its cash and cash equivalents in a variety of investment types with the primary focus being safety of principal, but with an attention to investment opportunities to increase yield. The City pays close attention to daily interest rates and long-term financial trends. 2012's interest revenue was \$89,027.

In an effort to curb the rising costs of healthcare, the City established a City-wide Joint Medical/Hospitalization Committee. The Committee is comprised of one representative from each of the City's bargaining units, four non-bargaining representatives from other City departments and one representative from Council. The goal of the Committee is to promote cost containment and minimize contributions by employees. The City has also teamed up with the Cleveland Clinic in starting a wellness initiative for City employees.

Management continues to diligently plan expenses, staying carefully within the City's revenues. The City actively seeks grants in order to maintain and improve the services the City residents expect while still controlling expenses. The City is ever cognizant of needs versus wants.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General Government	\$8,505,708	\$8,703,896	\$8,198,948	\$8,411,133
Security of Persons and Property	8,572,099	8,350,722	8,030,570	7,824,535
Public Health and Welfare	96,354	93,610	71,729	61,305
Leisure Time Activities	3,470,342	3,345,289	3,014,131	2,897,513
Community Environment	2,492,457	2,130,225	2,366,644	2,030,922
Basic Utility Services	578,200	913,604	549,812	890,155
Transportation	3,754,236	4,546,613	3,051,665	3,711,838
Interest and Fiscal Charges	1,098,008	386,620	1,098,008	386,620
Total Expenses	<u>\$28,567,404</u>	<u>\$28,470,579</u>	<u>\$26,381,507</u>	<u>\$26,214,021</u>

The City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of 2012, the City's governmental funds reported a positive combined ending fund balance. Unassigned fund balance is available for appropriation at the City's discretion within certain legal constraints and purpose restrictions. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is not available for future spending.

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The decrease in the general fund balance is a result of an agreement to spend around half of the estate tax windfall received in 2011 on infrastructure projects in 2012. Although there was a decrease in the general fund balance, the City was still able to provide the services that the City residents expect while controlling the costs of providing those services. The City continues to put a premium on City services without reducing the City's workforce. In order to keep this premium on jobs, the City has cut back on overtime and asked employees to do more with less while not compromising services. The City's dedicated public servants strive to keep the City of Independence among the finest in Northeast Ohio.

The quadrant tax increment financing (TIF) debt service fund continues to collect service payments and make annual debt payments on the bonds. The negative balance reflected in the quadrant TIF fund is a result of inter-fund borrowing to temporarily provide funding.

The capital improvements capital projects fund had an increase in fund balance due to transfers from the general fund and note proceeds outpacing the amount spent on capital improvements and debt repayment.

The street resurfacing capital projects fund had an increase in fund balance due to fewer costs for infrastructure improvements.

Other governmental funds had an increase in fund balance. The City continues to seek out and utilize grant monies. Though revenues were less than the prior year, expenditures were reduced as well.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. The legal level of budgetary control for the City is at the department and object level for the general fund. Any budgetary modifications at this level may only be made by ordinance of City Council. City policy permits fund transfers within control levels with the approval of the Director of Finance. During the course of 2012, the City amended its general fund budget several times. In addition to day-to-day budget monitoring, the Director of Finance closely examines the budget with the preparation of the monthly financial statements and quarterly budget analysis reports.

Actual revenues received were lower than certification, due to slightly higher estimates in almost every category. Actual expenditures were less than appropriations due mainly to the diligence of management to keep costs low. City Council has taken a proactive stance on budgeting by requiring that permanent appropriations be submitted and approved prior to the start of the year. This enables the administration to better plan for the upcoming year.

Capital Assets and Debt Administration

Capital Assets

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

The City continues to work through their five-year capital asset replacement plan.

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In 2012, the City purchased equipment for the City's various departments and also made improvements to Quarry Lane, Rockside Place, Valley Belt Road and Independence Estates. See Note 12 to the basic financial statements for more information regarding the City's capital assets. Table 4 compares capital assets as of December 31, 2012 to balances at December 31, 2011.

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

	2012	2011
Land	\$17,002,615	\$16,923,611
Construction in Progress	1,844,704	592,100
Buildings and Improvements	27,568,414	28,386,021
Machinery and Equipment	1,351,147	1,311,240
Furniture and Fixtures	166,121	154,760
Vehicles	2,606,465	2,223,487
Infrastructure	41,521,684	41,680,073
<i>Total</i>	\$92,061,150	\$91,271,292

Debt

Table 5 summarizes outstanding long-term debt at December 31, 2012, compared to December 31, 2011.

Table 5
Outstanding Long Term Debt at Year End

	2012	2011
General Obligation Bonds	\$22,706,384	\$22,947,006
Police and Fire Pension Liability	0	55,924
Various Improvement Notes	6,816,320	7,127,524
OPWC Loan	229,526	241,918
OWDA Loan	42,676	4,785
Claims Payable	339,009	147,307
Compensated Absences	758,030	781,045
<i>Total</i>	\$30,891,945	\$31,305,509

The City's overall legal debt limit decreased to \$47,850,565 as a direct result of a lower assessed property value from the previous year. The amount of debt subject to the debt limit was \$23,964,526, leaving an overall debt margin of \$23,886,039. The legal debt margin is determined by multiplying the total assessed value of taxable real property in the City by 10.50 percent minus current and exempted debt.

The City continues to monitor its outstanding debt and is committed to reducing its overall debt on an annual basis. Information relative to debt is identified in Note 16 to the basic financial statements.

City of Independence, Ohio
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Current Financial Related Activities

The City has continued to maintain the highest standards of services to our residents while diligently planning expenses, to stay within the City's revenues. During 2012, City Council closely monitored revenue and expenditures to preserve the integrity of the general fund's unencumbered cash balance. As with all cities in the State of Ohio, State funding issues are constantly monitored to determine the impact on the City. The City's management team remains mindful of keeping an eye out for ways to become more efficient and better stewards of our taxpayers' money. Major entities in Northeast Ohio still regard the City of Independence as one of the top places to relocate or expand their businesses. All of the City's financial abilities will be needed to meet the challenges of the future.

In conclusion, the City of Independence is in a period posing both significant challenges and opportunities. Management is committed to working with all stakeholders to craft solutions that will most effectively use the available resources to continue to provide excellent services to the residents of the City.

Contacting the City's Finance Department

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John M. Veres, CPA, CPFA, Finance Director at the City of Independence, 6800 Brecksville Road, Independence, Ohio 44131, 216-524-4131, or email at Veresj@independenceohio.org.

City of Independence, Ohio

Statement of Net Position

December 31, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$18,621,523
Cash and Cash Equivalents In Segregated Accounts	33,938
Accounts Receivable	7,057
Hotel/Motel Taxes Receivable	77,804
Intergovernmental Receivable	418,906
Prepaid Items	68,823
Municipal Income Taxes Receivable	6,241,692
Property Taxes Receivable	1,697,375
Special Assessments Receivable	556,170
Payments in Lieu of Taxes Receivable	1,975,655
Nondepreciable Capital Assets	18,847,319
Depreciable Capital Assets, Net	<u>73,213,831</u>
<i>Total Assets</i>	<u>121,760,093</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>369,953</u>
Liabilities	
Accounts Payable	260,822
Accrued Wages	307,204
Contracts Payable	389,320
Intergovernmental Payable	1,392,602
Matured Compensated Absences Payable	22,151
Accrued Interest Payable	119,609
Notes Payable	2,305,520
Retainage Payable	155,749
Long-Term Liabilities:	
Due Within One Year	1,650,171
Due In More Than One Year	<u>26,936,254</u>
<i>Total Liabilities</i>	<u>33,539,402</u>
Deferred Inflows of Resources	
Property Taxes Not Levied to Finance	
Current Year Operations	857,169
Payments in Lieu of Taxes Not Levied to Finance Current Year Operations	<u>1,137,740</u>
<i>Total Deferred Inflows of Resources</i>	<u>1,994,909</u>
Net Position	
Net Investment in Capital Assets	62,244,507
Restricted for:	
Capital Projects	6,332,527
State Highway	63,120
Street Construction, Maintenance and Repair	785,419
Police Pension	493,713
Other Purposes	612,104
Unrestricted	<u>16,064,345</u>
<i>Total Net Position</i>	<u><u>\$86,595,735</u></u>

See accompanying notes to the basic financial statements

City of Independence, Ohio
Statement of Activities
For the Year Ended December 31, 2012

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Assessments	Revenue and Changes in Net Position
Governmental Activities:					
General Government	\$8,505,708	\$306,760	\$0	\$0	(\$8,198,948)
Security of Persons and Property	8,572,099	537,653	3,876	0	(8,030,570)
Public Health and Welfare	96,354	24,625	0	0	(71,729)
Leisure Time Activities	3,470,342	456,211	0	0	(3,014,131)
Community Environment	2,492,457	125,813	0	0	(2,366,644)
Basic Utility Services	578,200	28,388	0	0	(549,812)
Transportation	3,754,236	76,006	530,993	95,572	(3,051,665)
Interest and Fiscal Charges	1,098,008	0	0	0	(1,098,008)
<i>Totals</i>	<u>\$28,567,404</u>	<u>\$1,555,456</u>	<u>\$534,869</u>	<u>\$95,572</u>	<u>(26,381,507)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					877,092
Police Pension					138,482
Municipal Income Tax Levied For General Purposes					25,743,991
Estate Tax					173,733
Hotel/Motel Tax Levied For General Purposes					1,188,902
Amusement Tax Levied For General Purposes					11,078
Grants and Entitlements Not Restricted to Specific Programs					230,790
Investment Income					89,027
Payments in Lieu of Taxes					1,289,281
Miscellaneous					683,675
<i>Total General Revenues</i>					<u>30,426,051</u>
Increase in Net Position					4,044,544
<i>Net Position Beginning of Year</i>					<u>82,551,191</u>
<i>Net Position End of Year</i>					<u>\$86,595,735</u>

See accompanying notes to the basic financial statements

City of Independence, Ohio

Balance Sheet

Governmental Funds

December 31, 2012

	General	Quadrant Tax Increment Financing	Capital Improvements	Street Resurfacing	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$7,040,240	\$3,148,023	\$1,761,903	\$1,617,607	\$2,778,241	\$16,346,014
Cash and Cash Equivalents						
In Segregated Accounts	33,938	0	0	0	0	33,938
Accounts Receivable	6,882	0	0	0	175	7,057
Hotel/Motel Taxes Receivable	77,804	0	0	0	0	77,804
Interfund Receivable	9,553,000	0	1,875,000	0	0	11,428,000
Intergovernmental Receivable	195,497	0	0	0	223,409	418,906
Prepaid Items	61,531	0	0	0	0	61,531
Special Assessments Receivable	0	0	0	0	523,002	523,002
Payments in Lieu of Taxes Receivable	0	1,975,655	0	0	0	1,975,655
Property Taxes Receivable	1,483,542	0	0	0	213,833	1,697,375
Municipal Income Taxes Receivable	6,241,692	0	0	0	0	6,241,692
<i>Total Assets</i>	<u>\$24,694,126</u>	<u>\$5,123,678</u>	<u>\$3,636,903</u>	<u>\$1,617,607</u>	<u>\$3,738,660</u>	<u>\$38,810,974</u>
Liabilities						
Accounts Payable	\$173,887	\$17,760	\$0	\$18,945	\$42,530	\$253,122
Accrued Wages	261,861	0	0	0	45,343	307,204
Contracts Payable	0	181,570	0	59,154	148,596	389,320
Intergovernmental Payable	1,143,969	0	0	86,448	162,185	1,392,602
Retainage Payable	0	0	0	94,881	60,868	155,749
Accrued Interest Payable	0	0	18,328	0	0	18,328
Notes Payable	0	0	2,305,520	0	0	2,305,520
Interfund Payable	0	11,568,000	0	0	10,000	11,578,000
Matured Compensated Absences Payable	22,151	0	0	0	0	22,151
<i>Total Liabilities</i>	<u>1,601,868</u>	<u>11,767,330</u>	<u>2,323,848</u>	<u>259,428</u>	<u>469,522</u>	<u>16,421,996</u>
Deferred Inflows of Resources						
Property Taxes Not Levied to Finance						
Current Year Operations	740,283	0	0	0	116,886	857,169
Payments in Lieu of Taxes Not Levied to Finance Current Year Operations	0	1,137,740	0	0	0	1,137,740
Unavailable Revenue	3,009,407	837,915	0	0	805,919	4,653,241
<i>Total Deferred Inflows of Resources</i>	<u>3,749,690</u>	<u>1,975,655</u>	<u>0</u>	<u>0</u>	<u>922,805</u>	<u>6,648,150</u>
Fund Balances						
Nonspendable	9,604,531	0	0	0	0	9,604,531
Restricted	0	0	1,313,055	1,358,179	2,101,562	4,772,796
Committed	0	0	0	0	253,832	253,832
Assigned	3,081,515	0	0	0	0	3,081,515
Unassigned (Deficit)	6,656,522	(8,619,307)	0	0	(9,061)	(1,971,846)
<i>Total Fund Balances (Deficit)</i>	<u>19,342,568</u>	<u>(8,619,307)</u>	<u>1,313,055</u>	<u>1,358,179</u>	<u>2,346,333</u>	<u>15,740,828</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$24,694,126</u>	<u>\$5,123,678</u>	<u>\$3,636,903</u>	<u>\$1,617,607</u>	<u>\$3,738,660</u>	<u>\$38,810,974</u>

See accompanying notes to the basic financial statements

City of Independence, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2012*

Total Governmental Funds Balances \$15,740,828

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 92,061,150

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

Delinquent Property Taxes	840,206
Municipal Income Taxes	2,110,086
Estate Taxes	4,801
Intergovernmental	337,231
Payments in Lieu of Taxes	837,915
Special Assessments	523,002

Total 4,653,241

In the statement of net position, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (101,281)

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 2,458,269

Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position. 369,953

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(22,706,384)
OPWC Loan Payable	(229,526)
OWDA Loans	(42,676)
Notes Payable	(4,510,800)
Claims Payable	(339,009)
Compensated Absences	(758,030)

Total (28,586,425)

Net Position of Governmental Activities \$86,595,735

See accompanying notes to the basic financial statements

City of Independence, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Quadrant Tax Increment Financing	Capital Improvements	Street Resurfacing	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$850,863	\$0	\$0	\$0	\$135,061	\$985,924
Municipal Income Taxes	24,700,011	0	0	0	0	24,700,011
Estate Taxes	173,733	0	0	0	0	173,733
Hotel/Motel Taxes	1,188,902	0	0	0	0	1,188,902
Amusement Taxes	11,078	0	0	0	0	11,078
Intergovernmental	307,182	0	0	0	514,530	821,712
Investment Income	53,141	4,226	5,730	0	2,623	65,720
Fees, Licenses and Permits	356,539	0	0	0	309,002	665,541
Fines and Forfeitures	165,080	0	0	0	158,252	323,332
Charges for Services	287,468	0	0	0	24,625	312,093
Rentals	221,322	0	0	0	0	221,322
Special Assessments	0	0	0	0	54,732	54,732
Payments in Lieu of Taxes	0	914,807	0	0	0	914,807
Miscellaneous	334,760	222,934	51,720	0	74,261	683,675
<i>Total Revenues</i>	<u>28,650,079</u>	<u>1,141,967</u>	<u>57,450</u>	<u>0</u>	<u>1,273,086</u>	<u>31,122,582</u>
Expenditures						
Current:						
General Government	5,619,249	0	0	0	70,724	5,689,973
Security of Persons and Property	7,388,672	0	0	0	689,558	8,078,230
Public Health and Welfare	0	0	0	0	95,769	95,769
Leisure Time Activities	2,825,293	0	0	0	472,559	3,297,852
Community Environment	2,430,958	0	0	0	0	2,430,958
Basic Utility Services	546,855	0	0	0	0	546,855
Transportation	830,338	0	0	0	1,529,168	2,359,506
Capital Outlay	0	932,635	1,218,629	2,633,977	628,219	5,413,460
Debt Service:						
Principal Retirement	0	175,000	0	6,767	66,510	248,277
Refunded Notes Redeemed	0	2,300,000	4,800,000	0	0	7,100,000
Interest and Fiscal Charges	0	499,336	416,696	0	15,785	931,817
Debt Issuance Costs	0	26,383	13,484	0	0	39,867
<i>Total Expenditures</i>	<u>19,641,365</u>	<u>3,933,354</u>	<u>6,448,809</u>	<u>2,640,744</u>	<u>3,568,292</u>	<u>36,232,564</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>9,008,714</u>	<u>(2,791,387)</u>	<u>(6,391,359)</u>	<u>(2,640,744)</u>	<u>(2,295,206)</u>	<u>(5,109,982)</u>
Other Financing Sources (Uses)						
General Obligation Notes Issued	0	4,500,000	0	0	0	4,500,000
Premium on Notes	0	32,400	0	0	0	32,400
OWDA Loan Issued	0	0	0	0	42,852	42,852
Transfers In	0	0	4,360,000	2,720,000	2,737,000	9,817,000
Transfers Out	(9,817,000)	0	0	0	0	(9,817,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(9,817,000)</u>	<u>4,532,400</u>	<u>4,360,000</u>	<u>2,720,000</u>	<u>2,779,852</u>	<u>4,575,252</u>
<i>Net Change in Fund Balances</i>	<u>(808,286)</u>	<u>1,741,013</u>	<u>(2,031,359)</u>	<u>79,256</u>	<u>484,646</u>	<u>(534,730)</u>
Fund Balances (Deficit)						
<i>Beginning of Year</i>	<u>20,150,854</u>	<u>(10,360,320)</u>	<u>3,344,414</u>	<u>1,278,923</u>	<u>1,861,687</u>	<u>16,275,558</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$19,342,568</u>	<u>(\$8,619,307)</u>	<u>\$1,313,055</u>	<u>\$1,358,179</u>	<u>\$2,346,333</u>	<u>\$15,740,828</u>

See accompanying notes to the basic financial statements

City of Independence, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012*

Net Change in Fund Balances - Total Governmental Funds (\$534,730)

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

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

Capital Outlay	4,042,676	
Depreciation	(3,239,017)	
Total		803,659

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. (13,801)

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

Property Taxes	29,650	
Municipal Income Taxes	1,043,980	
Estate Taxes	(4,917)	
Intergovernmental	(51,136)	
Payments in Lieu of Taxes	374,474	
Special Assessments	40,840	
Total		1,432,891

In the statement of activities, interest is accrued on outstanding bonds, bond premium and the deferred charge on refunding are amortized over the term of the bonds, whereas in governmental funds, an expenditure is reported when bonds are issued:

Accrued Interest	(255,459)	
Amortization of Deferred Charge on Refunding	(25,082)	
Amortization of Bond Premium	65,622	
Amortization on Note Premium	49,124	
Total		(165,795)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	23,015	
Police and Fire Pension Loan	55,924	
Claims Payable	(191,702)	
Total		(112,763)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 7,292,353

Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.

Loans Issued	(42,852)	
General Obligation Notes Issued	(4,500,000)	
Premium on Refunding Notes	(32,400)	
Total		(4,575,252)

The internal service fund used to charge costs of insurance to individual funds is not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (82,018)

Change in Net Position of Governmental Activities \$4,044,544

City of Independence, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$843,321	\$843,321	\$850,863	\$7,542
Municipal Income Taxes	25,557,400	24,200,000	24,444,558	244,558
Estate Taxes	235,928	227,769	202,886	(24,883)
Hotel/Motel Taxes	1,365,875	1,318,641	1,174,584	(144,057)
Amusement Taxes	12,882	12,437	11,078	(1,359)
Intergovernmental	328,737	321,459	299,260	(22,199)
Investment Income	69,089	66,700	59,413	(7,287)
Fees, Licenses and Permits	414,632	400,294	356,563	(43,731)
Fines and Forfeitures	176,265	170,168	151,579	(18,589)
Charges for Services	340,783	328,998	293,056	(35,942)
Rentals	257,366	248,465	221,322	(27,143)
Miscellaneous	386,704	405,880	337,095	(68,785)
<i>Total Revenues</i>	<u>29,988,982</u>	<u>28,544,132</u>	<u>28,402,257</u>	<u>(141,875)</u>
Expenditures				
Current:				
General Government	6,744,844	6,356,944	5,757,908	599,036
Security of Persons and Property	8,090,878	8,139,878	7,367,604	772,274
Leisure Time Activities	2,903,161	2,964,261	2,854,856	109,405
Community Environment	2,578,713	2,986,213	2,631,195	355,018
Basic Utility Services	562,879	580,279	519,868	60,411
Transportation	782,993	719,493	670,359	49,134
<i>Total Expenditures</i>	<u>21,663,468</u>	<u>21,747,068</u>	<u>19,801,790</u>	<u>1,945,278</u>
<i>Excess of Revenues Over Expenditures</i>	<u>8,325,514</u>	<u>6,797,064</u>	<u>8,600,467</u>	<u>1,803,403</u>
Other Financing Sources (Uses)				
Advances In	0	2,274,900	2,274,900	0
Advances Out	(2,310,000)	(2,390,000)	(2,390,000)	0
Transfers Out	(8,812,000)	(9,817,000)	(9,817,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(11,122,000)</u>	<u>(9,932,100)</u>	<u>(9,932,100)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(2,796,486)</u>	<u>(3,135,036)</u>	<u>(1,331,633)</u>	<u>1,803,403</u>
<i>Fund Balance Beginning of Year</i>	6,208,127	6,208,127	6,208,127	0
Prior Year Encumbrances Appropriated	749,468	749,468	749,468	0
<i>Fund Balance End of Year</i>	<u>\$4,161,109</u>	<u>\$3,822,559</u>	<u>\$5,625,962</u>	<u>\$1,803,403</u>

See accompanying notes to the basic financial statements

City of Independence, Ohio

Statement of Fund Net Position

Internal Service Fund

December 31, 2012

	<u>Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,275,509
Interfund Receivable	150,000
Special Assessment Receivable	33,168
Prepaid Items	<u>7,292</u>
<i>Total Assets</i>	2,465,969
Liabilities	
Accounts Payable	<u>7,700</u>
Net Position	
Unrestricted	<u><u>\$2,458,269</u></u>

See accompanying notes to the basic financial statements

City of Independence, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Year Ended December 31, 2012*

	Insurance
Operating Revenues	
Special Assessments	\$33,168
Operating Expenses	
Contractual Services	4,425
Claims	134,068
<i>Total Operating Expenses</i>	138,493
<i>Operating Loss</i>	(105,325)
Nonoperating Revenues	
Investment Income	23,307
<i>Change in Net Position</i>	(82,018)
<i>Net Position Beginning of Year</i>	2,540,287
<i>Net Position End of Year</i>	\$2,458,269

See accompanying notes to the basic financial statements

City of Independence, Ohio
Statement of Cash Flows
Internal Service Fund
For the Year Ended December 31, 2012

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Other Services	\$0
Cash Payments for Services	(387)
Cash Payments for Claims	(134,068)
<i>Net Cash Used in Operating Activities</i>	(134,455)
Cash Flows from Investing Activities	
Interest on Investments	23,307
<i>Net Decrease in Cash and Cash Equivalents</i>	(111,148)
<i>Cash and Cash Equivalents Beginning of Year</i>	2,386,657
<i>Cash and Cash Equivalents End of Year</i>	\$2,275,509
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
<i>Operating Loss</i>	(\$105,325)
Adjustments:	
Decrease in Prepaid Items	347
(Increase) in Special Assessments Receivable	(33,168)
Increase in Accounts Payable	3,691
<i>Net Cash Used In Operating Activities</i>	(\$134,455)

See accompanying notes to the basic financial statements

City of Independence, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2012

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$185,167</u></u>
Liabilities	
Deposits Held and Due to Others	<u><u>\$185,167</u></u>

See accompanying notes to the basic financial statements

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 1 - Reporting Entity

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

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

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

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. For the City of Independence this includes the departments and agencies that provide the following services: police and fire protection, emergency medical services, parks, recreation, a cemetery, street maintenance and Mayor's court.

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

The City participates in two jointly governed organizations, the Southwest Council of Governments and the Northeast Ohio Public Energy Council. These organizations are presented in Note 18 of the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Basis of Presentation

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

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

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

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

Fund Accounting

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

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

General Fund The general fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of Independence and/or the general laws of Ohio.

Quadrant Tax Increment Financing Fund The quadrant tax increment financing debt service fund accounts for and reports all restricted tax increment financing (TIF) activities. Each tax increment financing activity is created to provide additional revenue for the City to help pay for qualified infrastructure improvements in or near each TIF district. The additional revenue represents payments in lieu of taxes that would have gone to the County or School District, but because of the TIF, it now goes to the City to help pay for the infrastructure improvements in whole or in part.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Capital Improvements Fund The capital improvements fund accounts for and reports restricted general obligation bond proceeds for departmental capital improvements.

Street Resurfacing Fund – The street resurfacing fund accounts for and reports restricted general obligation bond proceeds and grant monies for infrastructure improvements made within the City.

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

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

Internal Service Fund The internal service fund accounts for and reports the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The internal service fund reports on the activity of the self-insured general liability program of the City.

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

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are presented using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

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

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within 31 days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, hotel/motel tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fees, fines and forfeitures, interest, grants and entitlements.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, estate taxes, delinquent payments in lieu of taxes, special assessments, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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.

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts" and represents deposits.

During 2012, investments were limited to STAROhio, US Treasury notes, federal national mortgage association bonds, freddie mac bonds, fannie mae bonds and federal home loan bank bonds.

Investments are reported at fair value based on quoted market prices.

The City of Independence has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during 2012. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share which is the price for which the investment could be sold at December 31, 2012.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2012 amounted to \$53,141, which includes \$24,758 assigned from other City funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000 with the exception of land, as land was listed regardless of cost. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

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

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Interfund balance amounts are eliminated in the statement of net position.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees after ten years of service with the City.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent they come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employee who has accumulated unpaid leave is paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (ordinance or resolution, as both are legally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated resources and appropriations in the 2013 appropriated budget.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

Net Position

Net position represents the difference between all other elements in the statement of financial position. Net investment in capital assets 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.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include law enforcement, FEMA grants and drug enforcement and education.

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

Operating Revenues and Expenses

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

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) of refunding bonds and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. The straight-line method of amortization is not materially different from the effective-interest method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

Interfund Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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 the internal service fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

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

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 3 - Changes in Accounting Principles

For 2012, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the City's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the City's 2012 financial statements and resulted in a change to the financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the City's financial statements.

Note 4 - Fund Deficits

Fund deficits in the Quadrant Tax Increment Financing bond retirement fund and the Rockside Woods capital project fund of \$8,619,307 and \$9,061 respectively, are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 5 - Fund Balances

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

Fund Balances	General	Quadrant Tax Increment Financing	Capital Improvements	Street Resurfacing	Other Governmental Funds	Total
<i>Nonspendable</i>						
Prepays	\$61,531	\$0	\$0	\$0	\$0	\$61,531
Interfund Loans	9,543,000	0	0	0	0	9,543,000
<i>Total Nonspendable</i>	9,604,531	0	0	0	0	9,604,531
<i>Restricted for</i>						
Road Improvements	0	0	0	0	734,747	734,747
Capital Improvements	0	0	3,636,903	1,358,179	658,263	5,653,345
Law Enforcement and Education	0	0	0	0	91,087	91,087
Federal Forfeiture	0	0	0	0	122,000	122,000
Mayor's Court Computer	0	0	0	0	52,241	52,241
FEMA	0	0	0	0	559	559
Police Pension	0	0	0	0	391,353	391,353
Debt Service Payments	0	0	0	0	51,312	51,312
<i>Total Restricted</i>	0	0	3,636,903	1,358,179	2,101,562	7,096,644
<i>Committed to</i>						
Handicap Parking	0	0	0	0	23,642	23,642
Citizen-Focused Activities	0	0	0	0	32,882	32,882
City Upkeep	0	0	0	0	56,600	56,600
Recreation	0	0	0	0	140,708	140,708
<i>Total Committed</i>	0	0	0	0	253,832	253,832
<i>Assigned to</i>						
2013 Appropriations	1,757,946	0	0	0	0	1,757,946
Compensated Absences	712,342	0	0	0	0	712,342
Purchases on Order	611,227	0	0	0	0	611,227
<i>Total Assigned</i>	3,081,515	0	0	0	0	3,081,515
<i>Unassigned (Deficit)</i>	6,656,522	(8,619,307)	0	0	(9,061)	(1,971,846)
<i>Total Fund Balances (Deficit)</i>	\$19,342,568	(\$8,619,307)	\$3,636,903	\$1,358,179	\$2,346,333	\$18,064,676

Note 6 - Budgetary Basis of Accounting

While reporting financial position, results of operations and changes in fund balance/net position on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

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

Net Change in Fund Balance	
	General
GAAP Basis	(\$808,286)
Net Adjustment for Revenue Accruals	(247,893)
Advances In	2,274,900
Advances Out	(2,390,000)
Net Adjustment for Expenditure Accruals	591,483
Excess of Revenues Under Expenditures:	
Compensated Absences Fund	(38,486)
Beginning Unrecorded Cash	(3,357)
Ending Unrecorded Cash	(4,029)
Encumbrances	(705,965)
Budget Basis	(\$1,331,633)

Note 7 - Deposits and Investments

The City is a charter City and has adopted an investment policy through City Ordinance. The City has elected to follow the provisions of state statute. State statutes classify monies held by the City into three categories.

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

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of 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 held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

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. Investments may only be made through specified dealers and institutions.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year-end, \$13,087,036 of the City's bank balance of \$16,218,591 was uninsured and uncollateralized. Although the securities were held by the pledging financial 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 Federal Deposit Insurance Corporation.

The City has no deposit policy for custodial risk beyond the requirements of the state statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of December 31, 2012, the City had the following investments:

	<u>Fair Value</u>	<u>Average Maturity</u>
STAR Ohio	\$27,890	55 days
US Treasury Notes	600,934	671 days
Federal National Mortgage Association Bonds	205,728	401 days
Freddie Mac Bonds	720,747	485 days
Fannie Mae Bonds	1,255,212	535 days
Federal Home Loan Bank Bonds	<u>102,717</u>	291 days
Total	<u><u>\$2,913,228</u></u>	

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within one year from the date of purchase and that the City's investment portfolio be structured so that the securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

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. The US Treasury Notes, Federal National Mortgage Association Bonds, Freddie Mac Bonds, Fannie Mae Bonds and Federal Home Loan Bank Bonds are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty. 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.

Credit Risk STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The US Treasury Notes, Federal National Mortgage Association Bonds, Freddie Mac Bonds, Fannie Mae Bonds and Federal Home Loan Bank Bonds carry a rating of AA+ by Standard and Poor's. The City has no investment policy that addresses credit risk.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Concentration of Credit Risk The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2012:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Fannie Mae Bonds	43.09 %
Freddie Mac Bonds	24.74
US Treasury Notes	20.63
Federal National Mortgage Association Bonds	7.06

Note 8 - Receivables

Receivables at December 31, 2012, consisted primarily of payments in lieu of taxes, property taxes, municipal income taxes, accounts (billings for user charged services), special assessments, hotel/motel taxes and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except property taxes and special assessments are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$468,536. At December 31, 2012, there was \$95,306 in delinquent special assessments.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes are levied after October 1, 2012 on the assessed value as of January 1, 2012, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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 tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The full tax rate for all City operations for the year ended December 31, 2012 was \$2.20 per \$1,000 of assessed value. The assessed values of real property, public utility tangible property, and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real Property:	
Residential/Agricultural	\$239,574,100
Other Real Estate	200,039,350
Public Utility Personal Property	16,106,220
Total	\$455,719,670

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City of Independence. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes and public utility property taxes which were measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources – property taxes not levied to finance current year operations. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Tax

The City levies a municipal income tax of two percent on all wages, salaries, commissions and other compensation and net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first and tenth business days of the following month. In 2012, the proceeds were allocated entirely to the general fund.

Intergovernmental Receivable

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

	Amount
Gasoline Excise Tax	\$155,047
Local Government	142,011
Auto Registration	50,050
Homestead and Rollback	39,696
Estate Tax	19,203
Permissive Tax	10,637
Law Enforcement Fines	2,262
Total Intergovernmental Receivables	\$418,906

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Payments in Lieu of Taxes

According to state law, the City has established several tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

Note 9 - Risk Management

Property and Liability

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2012, the City contracted with St. Paul Travelers Insurance Agency for various types of insurance as follows:

Inland Marine		
Contractor's Equipment	\$5,259,608	\$2,500
Property	39,701,427	10,000
Crime	25,000	1,000
Automobile	1,000,000	1,000/10,000

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

The City accounts for activity of the self-insured general liability program for all lawsuits within the internal service fund. There were no outstanding claims at December 31, 2012. Changes in the fund's claims liability amount for 2011 and 2012 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2011	\$0	\$378,251	\$378,251	\$0
2012	0	134,068	134,068	0

Workers' Compensation

The City participates in the State Workers' Compensation retrospective rating and payment system. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claims cost for injured employees in 2012. The maintenance of these benefits is accounted for in the general fund as general government expenditures. Incurred but not reported claims of \$339,009 have been accrued as a liability at December 31, 2012, based on an estimate by the City's third-party administrator.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The claims liability of \$339,009, reported at December 31, 2012 for workers' compensation is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenditures and does not include other allocated or unallocated claims adjustment expenditures. Changes in claims activity for 2011 and 2012 are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Change in Workers' Compensation Estimate	Balance at End of Year
2011	\$181,899	\$9,424	\$177,616	\$133,600	\$147,307
2012	147,307	37,371	236,404	390,735	339,009

Note 10 - Contingencies

Grants

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

Litigation

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

Note 11 - Compensated Absences

Non-union employees earn five to twenty-five days of vacation per year, depending upon length of service. Employees, who are part of a bargaining unit, earn vacation as outlined in the bargaining union contract. Upon termination, employees are paid for accrued unused vacation and holidays. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement, a non-union employee can be paid a maximum of one fourth of 960 hours of accumulated, unused sick leave. Retiring employees, who are part of a bargaining unit, are paid unused sick leave as outlined in the bargaining unit contract.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 12 - Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$16,923,611	\$79,004	\$0	\$17,002,615
Construction in progress	592,100	1,651,254	(398,650)	1,844,704
<i>Total Nondepreciable Capital Assets</i>	<u>17,515,711</u>	<u>1,730,258</u>	<u>(398,650)</u>	<u>18,847,319</u>
Depreciable Capital Assets				
Buildings and Improvements	39,454,325	0	0	39,454,325
Machinery and Equipment	4,607,758	295,315	(7,138)	4,895,935
Furniture and Fixtures	1,738,055	34,791	0	1,772,846
Vehicles	6,616,525	827,115	(326,295)	7,117,345
Infrastructure				
Roads	45,679,293	1,553,847	0	47,233,140
Water Lines	5,432,820	0	0	5,432,820
Sanitary Sewers	2,670,596	0	0	2,670,596
Storm Sewers	9,777,970	0	0	9,777,970
<i>Total Depreciable Capital Assets</i>	<u>115,977,342</u>	<u>2,711,068</u>	<u>(333,433)</u>	<u>118,354,977</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(11,068,304)	(817,607)	0	(11,885,911)
Machinery and Equipment	(3,296,518)	(252,255)	3,985	(3,544,788)
Furniture and Fixtures	(1,583,295)	(23,430)	0	(1,606,725)
Vehicles	(4,393,038)	(433,489)	315,647	(4,510,880)
Infrastructure				
Roads	(16,772,346)	(1,416,962)	0	(18,189,308)
Water Lines	(1,098,761)	(54,328)	0	(1,153,089)
Sanitary Sewers	(670,099)	(35,608)	0	(705,707)
Storm Sewers	(3,339,400)	(205,338)	0	(3,544,738)
<i>Total Accumulated Depreciation</i>	<u>(42,221,761)</u>	<u>(3,239,017)</u>	<u>319,632</u>	<u>(45,141,146)</u>
Total Depreciable Capital Assets, Net	<u>73,755,581</u>	<u>(527,949)</u>	<u>(13,801)</u>	<u>73,213,831</u>
Governmental Activities Capital Assets, Net	<u>\$91,271,292</u>	<u>\$1,202,309</u>	<u>(\$412,451)</u>	<u>\$92,061,150</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$2,579,851
Security of Persons and Property	244,120
Leisure Time Activities	54,690
Community Environment	58,930
Basic Utility Services	12,862
Transportation	288,564
Total	<u>\$3,239,017</u>

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 13 - Interfund Transactions

Interfund Balances

Interfund Payable	Interfund Receivable			Totals
	General	Capital Improvements	Internal Service	
Quadrant Tax Increment Financing	\$9,543,000	\$1,875,000	\$150,000	\$11,568,000
Other Governmental Funds	10,000	0	0	10,000
Total	\$9,553,000	\$1,875,000	\$150,000	\$11,578,000

The interfund receivables and payables are advances for grant monies and payment in lieu of tax revenue that were not repaid by year end. The City advances grant monies in the event that the award was not received when expected. The City advances money to fund the various TIF projects. The advance from the internal service fund was for emergency repairs to the Oaktree North Storm Sewer. All interfund balances, except those associated TIF related balances, are expected to be repaid within one year.

Interfund Transfers

The general fund transfers to the capital improvement capital project fund and nonmajor governmental funds were made to provide additional resources for capital improvements and current operations. The transfer from the quadrant tax increment financing capital projects fund to the street resurfacing and Route 21 and Pleasant Valley capital projects fund was to provide additional resources for capital improvements.

Transfer To	Transfer From
	General
Major Funds:	
Capital Improvements	\$4,360,000
Street Resurfacing	2,720,000
Total Major Funds	7,080,000
Other Governmental Funds:	
Street Construction, Maintenance and Repair	1,300,000
Twenty-Five and Alive	2,000
I Can	2,000
Tree	6,000
Cemetery	75,000
Recreation	200,000
Police Pension	535,000
Drain Water	360,000
Public Safety Equipment	250,000
Route 21 and Pleasant Valley	7,000
Total Other Governmental Funds	2,737,000
Total	\$9,817,000

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 14 - Defined Benefit Pension Plans

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 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2012, members in state and local divisions contributed 10 percent of covered payroll. 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 Pension Plan. For 2012, member and employer contribution rates were consistent across all three plans.

The City's 2012 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$698,193, \$691,145, and \$634,368, respectively. For 2012, 88.20 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the Member-Directed Plan for 2012 were \$19,760 made by the City and \$14,115 made by plan members.

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 information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$342,537 and \$277,260 for the year ended December 31, 2012, \$340,948 and \$290,731, for the year ended December 31, 2011, and \$352,878 and \$305,180 for the year ended December 31, 2010, respectively. For 2012, 72.84 percent for police and 76.32 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Note 15 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for 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. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care 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 health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1 percent for both plans as recommended by the OPERS Actuary.

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 health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$279,277, \$276,458, and \$361,649, respectively. For 2012, 88.20 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care 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-retirement health care coverage for 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 health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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 information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available at OP&F's website at www.opf.org.

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 by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 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 to 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, 2012, the employer contribution allocated to the health care plan was 6.75 percent 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 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 health care benefits for police and firefighters were \$181,343 and \$108,493 for the year ended December 31, 2012, \$180,502 and \$113,764 for the year ended December 31, 2011, and \$186,818 and \$119,418 for the year ended December 31, 2010. For 2012, 72.84 percent has been contributed for police and 76.32 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Note 16 - Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds, loans, and notes payable follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
General Obligation Bonds			
2005 Northeast Quadrant TIF Serial	2.00-5.00 %	\$5,800,000	December 1, 2030
2011 Various Purpose Refunding	3.00-4.00	16,935,000	December 21, 2028
Ohio Public Works Commission Loan			
1994 Quarry Road Bridge Project	0.00	335,095	December 1, 2014
2011 Pleasant Valley	0.00	225,000	December 1, 2031
Long-Term Notes Payable			
2012 Selig Drive Intersection	1.125	3,600,000	April 16, 2013
2012 Pleasant Valley Quadrant	1.125	900,000	April 16, 2013
Ohio Water Development Authority Loan			
2011 Lower Brookside Watershed Study	3.20	52,520	N/A

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Amounts Due in One Year
Governmental Activities					
2005 Northeast Quadrant TIF					
Serial Bonds	\$4,960,000	\$0	(\$175,000)	\$4,785,000	\$180,000
Unamortized Premium	107,862	0	(5,677)	102,185	0
Total 2005 Northeast Quadrant TIF	5,067,862	0	(180,677)	4,887,185	180,000
2011 Various Purpose Refunding					
Serial Bonds	16,935,000	0	0	16,935,000	920,000
Unamortized Premium	944,144	0	(59,945)	884,199	0
Total 2011 Various Purpose Refunding	17,879,144	0	(59,945)	17,819,199	920,000
<i>Total General Obligation Bonds</i>	22,947,006	0	(240,622)	22,706,384	1,100,000
OPWC Loans					
1994 OPWC Loan - Quarry Road Bridge	16,918	0	(6,767)	10,151	6,767
2011 OPWC Loan - Pleasant Valley	225,000	0	(5,625)	219,375	11,250
<i>Total OPWC Loans</i>	241,918	0	(12,392)	229,526	18,017
Notes Payable					
<i>General Purpose</i>	4,800,000	0	(4,800,000)	0	0
Premium on Notes	18,608	0	(18,608)	0	0
<i>Selig Drive Improvements</i>	2,300,000	3,600,000	(2,300,000)	3,600,000	0
Premium on Notes	8,916	25,920	(26,196)	8,640	0
<i>Selig Drive Improvements</i>	0	900,000	0	900,000	0
Premium on Notes	0	6,480	(4,320)	2,160	0
<i>Total Notes Payable</i>	7,127,524	4,532,400	(7,149,124)	4,510,800	0
Other Long-term Obligations					
2011 OWDA Loan - Lower Brookside	4,785	42,852	(4,961)	42,676	0
Police and Fire Pension	55,924	0	(55,924)	0	0
Claim Payable	147,307	428,106	(236,404)	339,009	312,871
Compensated Absences	781,045	36,168	(59,183)	758,030	219,283
<i>Total Other Long-term Obligations</i>	989,061	507,126	(356,472)	1,139,715	532,154
<i>Total General Long-term Obligations</i>	\$31,305,509	\$5,039,526	(\$7,758,610)	\$28,586,425	\$1,650,171

In 2011, the City issued general obligation bonds, in the amount of \$16,935,000, to refund bonds previously issued in fiscal year 2003 for various purposes. The bonds will be retired through the bond retirement debt service fund. The bonds were sold at a premium of \$959,129. Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2003 Various Purpose bonds. As a result, at December 31, 2012, \$16,295,000 of these bonds are considered defeased and the liability for the refunded bonds has been removed from the City's financial statements.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The various quadrant tax increment financing (TIF) bonds will be paid from the quadrant tax increment financing debt service fund with payments in lieu of taxes. Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the government-wide statements as long-term liabilities. The notes are backed by the full faith of the City of Independence. The long-term notes will be paid from the capital improvement and drain water capital projects funds. The OPWC loans will be paid from the street resurfacing capital projects fund.

The claims liability will be paid from the general fund. Compensated absences will be paid from the general fund and the street construction, maintenance and repair special revenue fund.

The City has entered into a contractual agreement for a construction loan from the Ohio Water Development Authority (OWDA). Under the terms of this agreement, the OWDA will reimburse, advance or directly pay the construction costs of approved projects. The OWDA will capitalize administrative costs and construction interest and then add them to the total amount of the final loan.

A line of credit has been established for the OWDA in the amount of \$52,520 for Lower Brookside watershed study. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. The balance of the loan is \$42,676.

The City's overall legal debt margin was \$23,886,039 at December 31, 2012. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2012 are as follows:

	General Obligation Bonds		OPWC Loan
	Principal	Interest	Principal
2013	\$1,100,000	\$785,063	\$18,017
2014	1,455,000	747,162	14,634
2015	1,520,000	697,588	11,250
2016	1,535,000	665,413	11,250
2017	1,590,000	617,964	11,250
2018-2022	8,840,000	2,193,385	56,250
2023-2027	4,035,000	779,513	56,250
2028-2031	1,645,000	116,125	50,625
Total	\$21,720,000	\$6,602,213	\$229,526

Note 17 – Notes Payable

On April 26, 2012, the City issued \$2,300,000 in general purpose bond anticipation notes with a premium of \$16,560. At December 31, 2012, \$5,520 of the premium remains outstanding. The notes were issued at an interest rate of 1.125 percent and mature on April 16, 2013. The notes were issued to retire a portion of the 2011 general purpose bond anticipation notes and are backed by the full faith and credit of the City.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 18 - Jointly Governed Organizations

Southwest Council of Governments

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions and regional development. The Board is comprised of one member from each of the 19 participating entities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. In 2012, the City contributed \$15,000 which represents 5.2 percent of total contributions.

The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZ MAT") which provides hazardous material protection and assistance and the Southwest Enforcement Bureau which provides extra assistance to cities in the form of a SWAT Team. The Council's financial statements may be obtained by contacting the Southwest Council of Governments, Berea, Ohio 44017.

Northeast Ohio Public Energy Council (NOPEC)

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the nine-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2012. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139 or at the website www.nopecinfo.org.

Note 19 – Shared Facilities Joint Operating Agreement

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

Under the terms of the contribution agreement, the City contributed \$13,000,000 to the School District, which is 38 percent of the cost of the shared facility project and includes the costs of constructing, equipping and furnishing the shared facility; the cost of constructing, equipping and furnishing related joint use areas; and the costs of related design and other professional services. The City also purchased some unused School District property for \$2,000,000. In 2003, the City issued \$15,000,000 in general obligation bonds to meet its obligations. These bonds were refunded in 2011 as a portion of the 2011 various purpose refunding bonds. The land, community center and community field house are owned by the City; the high school facility and community auditorium are owned by the School District.

City of Independence, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The City's contributions were payable based on the percent of project completion as determined by the School District. By the end of 2005, the total principal borrowed had been used for construction. The shared facility was completed in September of 2005.

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

Note 20 – Significant Commitments

Contractual Commitments

At December 31, 2012, the City's significant contractual commitments consisted of:

Project	Contract Amount	Amount Paid	Remaining on Contract
Valley Belt and Ashwood	\$474,006	\$357,877	\$116,129
Independence Estates	719,484	705,656	13,828
Rockside Place	417,668	331,203	86,465
Quarry Lane	344,022	139,116	204,906
Totals	<u>\$1,955,180</u>	<u>\$1,533,852</u>	<u>\$421,328</u>

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General	\$705,965
Quadrant Tax Increment Financing	2,227,996
Capital Improvements	1,407,081
Street Resurfacing	1,272,076
Nonmajor Funds	1,218,978
Totals	<u>\$6,832,096</u>

Note 21 – Subsequent Event

On April 19, 2013, the City retired \$6,800,000 in general obligation bond anticipation notes and issued \$5,450,000 in new notes. The new notes have a maturity date of April 16, 2014 and an interest rate of 1.125 percent.

Combining and Individual Fund Statements and Schedules

Combining Statements – Non-major Governmental Funds

Non-major Special Revenue Funds

To account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

State Highway Fund – To account for and report that portion of the State gasoline tax and motor vehicle registration fees restricted for maintenance of State highways within the City.

Motor Vehicle License Tax Fund – To account for and report the City’s restricted share of additional motor vehicle registration fees. Expenditures are restricted by State law for the maintenance and repair of streets and the purchase of road salt.

Street Construction, Maintenance and Repair Fund – To account for and report that portion of the State gasoline tax and motor vehicle registration fees restricted for street maintenance and repair.

Enforcement and Education Fund – To account for and report fines levied when arrests are made for driving under the influence of alcohol restricted for the education of officers and members of the community.

Indigent Drivers Fund – To account for and report the additional fees levied by the Independence Municipal Court under State law that are restricted for the rehabilitation of DUI indigent citizens.

Drug Offense Fund – To account for and report fines levied when arrests are made involving a drug offense. This money is restricted for the education of officers and members of the community.

Law Enforcement Fund – To account for and report forfeitures collected that are restricted for specific law enforcement purposes.

Federal Forfeiture Fund – To account for and report federal forfeitures restricted for specific law enforcement purposes.

Mayor’s Court Computer Fund – To account for and report court fines restricted to maintain and support the mayor’s court computer system.

FEMA Grant Fund – To account for and report grants received from the Federal and State governments restricted for restoration of areas hit by natural disasters.

Handicap Parking Fund – To account for and report fine monies collected from handicap parking violations committed to pay for costs associated with signage and notice requirements, educational and assistive technology programs and public improvements that assist persons with disabilities.

Friends for Life Fund – To accounts for and report donations committed to assist former residents who wish to attend City sponsored events.

Twenty-Five and Alive Fund – To account for and report donations committed to assist in educating our youth with regards to the dangers that drugs pose to them.

Home Days Fund – To account for and report donations, raffle and ride tickets associated with the annual Home Days Celebration committed to pay for the cost of parade entertainment, vendor booths and rides contracts.

(continued)

Non-major Special Revenue Funds (continued)

I Can Fund – To account for and report donations, fundraiser profits and participation fees committed to provide individuals 10 years old and up with physical, cognitive, and sensory disabilities with recreational, social and fitness opportunities.

Tree Fund – To account for and report donations committed for trees to be planted in the City.

Cemetery Fund – To account for and report receipts from grave sales and other fees to be used to pay expenses related the City's Cemetery.

Recreation Fund – To account for and report receipts of recreation fees committed to pay for the cost of operating the City's recreation programs.

Police Pension Fund – To account for and report restricted property taxes levied for the payment of current employer contributions for police disability and pension benefits and accrued liability.

Compensated Absences Fund - To account for and report the accumulation of resources for accumulated sick leave and vacation leave, upon the termination of employment of employees in the City. This fund is included with the general fund for GAAP reporting as it does not have a restricted or committed revenue source.

Non-major Debt Service Fund

To account for and report financial resources that are restricted to expenditures for principal and interest.

Bond Retirement Fund – To account for and report restricted property taxes for the repayment of general obligation bonds and notes of the City.

Non-major Capital Projects Funds

To account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition of construction of major capital facilities and other capital assets.

Drain Water Fund – To account for and report general obligation bond and note proceeds that are restricted for storm water drainage problems along with drain water improvement projects.

Rockside Woods Fund – To account for and report restricted special assessments for street lighting improvements made to Rockside Woods Boulevard North.

Issue II Fund – To account for and report grant and loan monies received from the Ohio Public Works Commission plus matching funds from the City that are restricted for improvements to the Oaktree Development.

Public Safety Equipment Fund – To account for and report general obligation bond proceeds restricted to upgrade equipment by the Independence Police and Fire Departments.

Route 21 and Pleasant Valley – This fund accounts for monies restricted for the maintenance and improvement projects for the intersection of Route 21 and Pleasant Valley.

City of Independence, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,006,859	\$51,312	\$720,070	\$2,778,241
Accounts Receivable	175	0	0	175
Intergovernmental Receivable	223,409	0	0	223,409
Special Assessments Receivable	0	0	523,002	523,002
Property Taxes Receivable	213,833	0	0	213,833
<i>Total Assets</i>	<u>\$2,444,276</u>	<u>\$51,312</u>	<u>\$1,243,072</u>	<u>\$3,738,660</u>
Liabilities				
Accounts Payable	\$42,530	\$0	\$0	\$42,530
Accrued Wages	45,343	0	0	45,343
Contracts Payable	148,596	0	0	148,596
Intergovernmental Payable	162,185	0	0	162,185
Retainage Payable	0	0	60,868	60,868
Interfund Payable	0	0	10,000	10,000
<i>Total Liabilities</i>	<u>398,654</u>	<u>0</u>	<u>70,868</u>	<u>469,522</u>
Deferred Inflows of Resources				
Property Taxes Not Levied to Finance Current Year Operations	116,886	0	0	116,886
Unavailable Revenue	282,917	0	523,002	805,919
<i>Total Deferred Inflows of Resources</i>	<u>399,803</u>	<u>0</u>	<u>523,002</u>	<u>922,805</u>
Fund Balances				
Restricted	1,391,987	51,312	658,263	2,101,562
Committed	253,832	0	0	253,832
Unassigned (Deficit)	0	0	(9,061)	(9,061)
<i>Total Fund Balances</i>	<u>1,645,819</u>	<u>51,312</u>	<u>649,202</u>	<u>2,346,333</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$2,444,276</u>	<u>\$51,312</u>	<u>\$1,243,072</u>	<u>\$3,738,660</u>

City of Independence, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2012

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property Taxes	\$135,061	\$0	\$0	\$135,061
Intergovernmental	514,530	0	0	514,530
Investment Income	2,623	0	0	2,623
Fees, Licenses and Permits	309,002	0	0	309,002
Fines and Forfeitures	158,252	0	0	158,252
Charges for Services	24,625	0	0	24,625
Special Assessments	0	0	54,732	54,732
Miscellaneous	74,261	0	0	74,261
<i>Total Revenues</i>	<u>1,218,354</u>	<u>0</u>	<u>54,732</u>	<u>1,273,086</u>
Expenditures				
Current:				
General Government	70,724	0	0	70,724
Security of Persons and Property	689,558	0	0	689,558
Public Health and Welfare	95,769	0	0	95,769
Leisure Time Activities	472,559	0	0	472,559
Transportation	1,529,168	0	0	1,529,168
Capital Outlay	0	0	628,219	628,219
Debt Service:				
Principal Retirement	55,924	0	10,586	66,510
Interest and Fiscal Charges	0	0	15,785	15,785
<i>Total Expenditures</i>	<u>2,913,702</u>	<u>0</u>	<u>654,590</u>	<u>3,568,292</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,695,348)</u>	<u>0</u>	<u>(599,858)</u>	<u>(2,295,206)</u>
Other Financing Sources				
OWDA Loan Issued	0	0	42,852	42,852
Transfers In	2,120,000	0	617,000	2,737,000
<i>Total Other Financing Sources</i>	<u>2,120,000</u>	<u>0</u>	<u>659,852</u>	<u>2,779,852</u>
<i>Net Change in Fund Balances</i>	424,652	0	59,994	484,646
<i>Fund Balances Beginning of Year</i>	<u>1,221,167</u>	<u>51,312</u>	<u>589,208</u>	<u>1,861,687</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,645,819</u></u>	<u><u>\$51,312</u></u>	<u><u>\$649,202</u></u>	<u><u>\$2,346,333</u></u>

City of Independence, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2012

	State Highway	Motor Vehicle License Tax	Street Construction, Maintenance and Repair	Enforcement and Education	Indigent Drivers
Assets					
Equity in Pooled Cash and Cash Equivalents	\$47,737	\$22,634	\$692,115	\$7,982	\$14,157
Accounts Receivable	0	0	0	25	48
Intergovernmental Receivable	15,383	10,637	189,714	35	0
Property Taxes Receivable	0	0	0	0	0
<i>Total Assets</i>	<u>\$63,120</u>	<u>\$33,271</u>	<u>\$881,829</u>	<u>\$8,042</u>	<u>\$14,205</u>
Liabilities					
Accounts Payable	\$0	\$0	\$32,677	\$0	\$0
Accrued Wages	0	0	20,348	0	0
Contracts Payable	0	0	0	0	0
Intergovernmental Payable	0	0	9,891	0	0
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>62,916</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources					
Property Taxes Not Levied to Finance Current Year Operations	0	0	0	0	0
Unavailable Revenue	12,867	9,005	158,685	0	0
<i>Total Deferred Inflows of Resources</i>	<u>12,867</u>	<u>9,005</u>	<u>158,685</u>	<u>0</u>	<u>0</u>
Fund Balances					
Restricted	50,253	24,266	660,228	8,042	14,205
Committed	0	0	0	0	0
<i>Total Fund Balances</i>	<u>50,253</u>	<u>24,266</u>	<u>660,228</u>	<u>8,042</u>	<u>14,205</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$63,120</u>	<u>\$33,271</u>	<u>\$881,829</u>	<u>\$8,042</u>	<u>\$14,205</u>

<u>Drug Offense</u>	<u>Law Enforcement</u>	<u>Federal Forfeiture</u>	<u>Mayor's Court Computer</u>	<u>FEMA Grant</u>	<u>Handicap Parking</u>
\$42,809	\$23,804	\$275,786	\$52,139	\$559	\$23,642
0	0	0	102	0	0
0	2,227	0	0	0	0
0	0	0	0	0	0
<u>\$42,809</u>	<u>\$26,031</u>	<u>\$275,786</u>	<u>\$52,241</u>	<u>\$559</u>	<u>\$23,642</u>
\$0	\$0	\$5,190	\$0	\$0	\$0
0	0	0	0	0	0
0	0	148,596	0	0	0
0	0	0	0	0	0
0	0	153,786	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
42,809	26,031	122,000	52,241	559	0
0	0	0	0	0	23,642
<u>42,809</u>	<u>26,031</u>	<u>122,000</u>	<u>52,241</u>	<u>559</u>	<u>23,642</u>
<u>\$42,809</u>	<u>\$26,031</u>	<u>\$275,786</u>	<u>\$52,241</u>	<u>\$559</u>	<u>\$23,642</u>

(continued)

City of Independence, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2012

	Friends for Life	Twenty- Five and Alive	Home Days	I Can	Tree
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$2,085	\$11,269	\$9,693	\$9,835	\$18,690
Accounts Receivable	0	0	0	0	0
Intergovernmental Receivable	0	0	0	0	0
Property Taxes Receivable	0	0	0	0	0
<i>Total Assets</i>	<u>\$2,085</u>	<u>\$11,269</u>	<u>\$9,693</u>	<u>\$9,835</u>	<u>\$18,690</u>
Liabilities					
Accounts Payable	\$0	\$0	\$0	\$0	\$0
Accrued Wages	0	0	0	0	0
Contracts Payable	0	0	0	0	0
Intergovernmental Payable	0	0	0	0	0
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources					
Property Taxes Not Levied to					
Finance Current Year Operations	0	0	0	0	0
Unavailable Revenue	0	0	0	0	0
<i>Total Deferred Inflows of Resources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances					
Restricted	0	0	0	0	0
Committed	2,085	11,269	9,693	9,835	18,690
<i>Total Fund Balances</i>	<u>2,085</u>	<u>11,269</u>	<u>9,693</u>	<u>9,835</u>	<u>18,690</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$2,085</u>	<u>\$11,269</u>	<u>\$9,693</u>	<u>\$9,835</u>	<u>\$18,690</u>

Cemetery	Recreation	Police Pension	Total Nonmajor Special Revenue Funds
\$40,620	\$173,350	\$537,953	\$2,006,859
0	0	0	175
0	0	5,413	223,409
0	0	213,833	213,833
<u>\$40,620</u>	<u>\$173,350</u>	<u>\$757,199</u>	<u>\$2,444,276</u>
\$0	\$4,663	\$0	\$42,530
1,814	23,181	0	45,343
0	0	0	148,596
896	4,798	146,600	162,185
<u>2,710</u>	<u>32,642</u>	<u>146,600</u>	<u>398,654</u>
0	0	116,886	116,886
0	0	102,360	282,917
0	0	219,246	399,803
0	0	391,353	1,391,987
37,910	140,708	0	253,832
<u>37,910</u>	<u>140,708</u>	<u>391,353</u>	<u>1,645,819</u>
<u>\$40,620</u>	<u>\$173,350</u>	<u>\$757,199</u>	<u>\$2,444,276</u>

City of Independence, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2012

	State Highway	Motor Vehicle License Tax	Street Construction, Maintenance and Repair	Enforcement and Education	Indigent Drivers
Revenues					
Property Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	35,608	34,267	439,165	0	0
Investment Income	101	34	2,488	0	0
Fees, Licenses and Permits	0	0	0	0	0
Fines and Forfeitures	0	0	0	1,541	1,794
Charges for Services	0	0	0	0	0
Miscellaneous	0	0	6,021	0	0
<i>Total Revenues</i>	<u>35,709</u>	<u>34,301</u>	<u>447,674</u>	<u>1,541</u>	<u>1,794</u>
Expenditures					
Current:					
General Government	0	0	0	0	0
Security of Persons and Property	0	0	0	500	0
Public Health and Welfare	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0
Transportation	25,000	33,000	1,471,168	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
<i>Total Expenditures</i>	<u>25,000</u>	<u>33,000</u>	<u>1,471,168</u>	<u>500</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	10,709	1,301	(1,023,494)	1,041	1,794
Other Financing Sources					
Transfers In	0	0	1,300,000	0	0
<i>Net Change in Fund Balances</i>	10,709	1,301	276,506	1,041	1,794
<i>Fund Balances Beginning of Year</i>	<u>39,544</u>	<u>22,965</u>	<u>383,722</u>	<u>7,001</u>	<u>12,411</u>
<i>Fund Balances End of Year</i>	<u>\$50,253</u>	<u>\$24,266</u>	<u>\$660,228</u>	<u>\$8,042</u>	<u>\$14,205</u>

Drug Offense	Law Enforcement	Federal Forfeiture	Mayor's Court Computer	FEMA Grant	Handicap Parking
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
5,899	1,591	143,354	3,798	0	275
0	0	0	0	0	0
0	13,236	0	0	0	0
5,899	14,827	143,354	3,798	0	275
0	0	0	15,702	0	0
0	20,131	218,642	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	20,131	218,642	15,702	0	0
5,899	(5,304)	(75,288)	(11,904)	0	275
0	0	0	0	0	0
5,899	(5,304)	(75,288)	(11,904)	0	275
36,910	31,335	197,288	64,145	559	23,367
\$42,809	\$26,031	\$122,000	\$52,241	\$559	\$23,642

(continued)

City of Independence, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Year Ended December 31, 2012

	Friends for Life	Twenty- Five and Alive	Home Days	I Can	Tree
Revenues					
Property Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0	0
Investment Income	0	0	0	0	0
Fees, Licenses and Permits	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0
Charges for Services	0	0	0	0	0
Miscellaneous	0	2,063	45,829	3,889	0
<i>Total Revenues</i>	<u>0</u>	<u>2,063</u>	<u>45,829</u>	<u>3,889</u>	<u>0</u>
Expenditures					
Current:					
General Government	0	8,086	41,693	5,243	0
Security of Persons and Property	0	0	0	0	0
Public Health and Welfare	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0
Transportation	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
<i>Total Expenditures</i>	<u>0</u>	<u>8,086</u>	<u>41,693</u>	<u>5,243</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	0	(6,023)	4,136	(1,354)	0
Other Financing Sources					
Transfers In	0	2,000	0	2,000	6,000
<i>Net Change in Fund Balances</i>	0	(4,023)	4,136	646	6,000
<i>Fund Balances Beginning of Year</i>	<u>2,085</u>	<u>15,292</u>	<u>5,557</u>	<u>9,189</u>	<u>12,690</u>
<i>Fund Balances End of Year</i>	<u>\$2,085</u>	<u>\$11,269</u>	<u>\$9,693</u>	<u>\$9,835</u>	<u>\$18,690</u>

Cemetery	Recreation	Police Pension	Total Nonmajor Special Revenue Funds
\$0	\$0	\$135,061	\$135,061
0	0	5,490	514,530
0	0	0	2,623
0	309,002	0	309,002
0	0	0	158,252
24,625	0	0	24,625
0	3,223	0	74,261
<u>24,625</u>	<u>312,225</u>	<u>140,551</u>	<u>1,218,354</u>
0	0	0	70,724
0	0	450,285	689,558
95,769	0	0	95,769
0	472,559	0	472,559
0	0	0	1,529,168
<u>0</u>	<u>0</u>	<u>55,924</u>	<u>55,924</u>
<u>95,769</u>	<u>472,559</u>	<u>506,209</u>	<u>2,913,702</u>
(71,144)	(160,334)	(365,658)	(1,695,348)
<u>75,000</u>	<u>200,000</u>	<u>535,000</u>	<u>2,120,000</u>
3,856	39,666	169,342	424,652
<u>34,054</u>	<u>101,042</u>	<u>222,011</u>	<u>1,221,167</u>
<u>\$37,910</u>	<u>\$140,708</u>	<u>\$391,353</u>	<u>\$1,645,819</u>

City of Independence, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2012

	Drain Water	Rockside Woods	Issue II
Assets			
Equity in Pooled Cash and Cash Equivalents	\$207,659	\$939	\$43,931
Special Assessments Receivable	0	0	523,002
<i>Total Assets</i>	<u>\$207,659</u>	<u>\$939</u>	<u>\$566,933</u>
Liabilities			
Retainage Payable	\$60,868	\$0	\$0
Interfund Payable	0	10,000	0
<i>Total Liabilities</i>	<u>60,868</u>	<u>10,000</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	523,002
Fund Balances			
Restricted	146,791	0	43,931
Unassigned (Deficit)	0	(9,061)	0
<i>Total Fund Balances (Deficit)</i>	<u>146,791</u>	<u>(9,061)</u>	<u>43,931</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$207,659</u>	<u>\$939</u>	<u>\$566,933</u>

<u>Public Safety Equipment</u>	<u>Route 21 and Pleasant Valley</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$455,696	\$11,845	\$720,070
0	0	523,002
<u>\$455,696</u>	<u>\$11,845</u>	<u>\$1,243,072</u>
\$0	\$0	\$60,868
0	0	10,000
0	0	70,868
0	0	523,002
455,696	11,845	658,263
0	0	(9,061)
<u>455,696</u>	<u>11,845</u>	<u>649,202</u>
<u>\$455,696</u>	<u>\$11,845</u>	<u>\$1,243,072</u>

City of Independence, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2012

	Drain Water	Rockside Woods	Issue II
Revenues			
Special Assessments	\$0	\$0	\$54,732
Expenditures			
Capital Outlay	454,242	9	537
Debt Service:			
Principal Retirement	4,961	0	0
Interest and Fiscal Charges	762	0	15,023
<i>Total Expenditures</i>	459,965	9	15,560
<i>Excess of Revenues Over (Under) Expenditures</i>	(459,965)	(9)	39,172
Other Financing Sources (Uses)			
OWDA Loan Issued	42,852	0	0
Transfers In	360,000	0	0
<i>Total Other Financing Sources (Uses)</i>	402,852	0	0
<i>Net Change in Fund Balances</i>	(57,113)	(9)	39,172
Fund Balances (Deficit)			
<i>Beginning of Year</i>	203,904	(9,052)	4,759
<i>Fund Balances (Deficit) End of Year</i>	\$146,791	(\$9,061)	\$43,931

Public Safety Equipment	Route 21 and Pleasant Valley	Total Nonmajor Capital Projects Funds
\$0	\$0	\$54,732
173,343	88	628,219
0	5,625	10,586
0	0	15,785
173,343	5,713	654,590
(173,343)	(5,713)	(599,858)
0	0	42,852
250,000	7,000	617,000
250,000	7,000	659,852
76,657	1,287	59,994
379,039	10,558	589,208
\$455,696	\$11,845	\$649,202

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. 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 purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Agency Fund

Deposits and Fees Fund - This fund accounts for monies put on deposit with the City in accordance with various City ordinances.

City of Independence, Ohio
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended December 31, 2012

	Beginning Balance 12/31/11	Additions	Deductions	Ending Balance 12/30/12
<i>Deposits and Fees</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$251,465	\$136,670	\$202,968	\$185,167
Liabilities				
Deposits Held and Due to Others	\$251,465	\$136,670	\$202,968	\$185,167

**Individual Fund Schedules of Revenues, Expenditures/Expenses
and Changes in Fund Balances/Fund Equity –
Budget (Non-GAAP Basis) and Actual**

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$843,321	\$843,321	\$850,863	\$7,542
Municipal Income Taxes	25,557,400	24,200,000	24,444,558	244,558
Estate Taxes	235,928	227,769	202,886	(24,883)
Hotel/Motel Taxes	1,365,875	1,318,641	1,174,584	(144,057)
Amusement Taxes	12,882	12,437	11,078	(1,359)
Intergovernmental	328,737	321,459	299,260	(22,199)
Investment Income	69,089	66,700	59,413	(7,287)
Fees, Licenses and Permits	414,632	400,294	356,563	(43,731)
Fines and Forfeitures	176,265	170,168	151,579	(18,589)
Charges for Services	340,783	328,998	293,056	(35,942)
Rentals	257,366	248,465	221,322	(27,143)
Miscellaneous	386,704	405,880	337,095	(68,785)
<i>Total Revenues</i>	<u>29,988,982</u>	<u>28,544,132</u>	<u>28,402,257</u>	<u>(141,875)</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive:				
Mayor:				
Salaries and Wages	423,000	373,000	365,693	7,307
Benefits	151,600	138,100	129,211	8,889
Other	23,530	18,030	15,567	2,463
Total Mayor	<u>598,130</u>	<u>529,130</u>	<u>510,471</u>	<u>18,659</u>
Finance Department:				
Salaries and Wages	282,900	282,900	266,388	16,512
Benefits	120,400	117,400	111,460	5,940
Other	12,762	12,762	11,089	1,673
Total Finance Department	<u>416,062</u>	<u>413,062</u>	<u>388,937</u>	<u>24,125</u>
Council:				
Salaries and Wages	140,000	146,000	140,902	5,098
Benefits	111,900	116,900	113,383	3,517
Other	7,337	7,337	6,183	1,154
Total Council	<u>259,237</u>	<u>270,237</u>	<u>260,468</u>	<u>9,769</u>
Law Director:				
Other	273,000	282,000	275,527	6,473
Total Law Director	<u>\$273,000</u>	<u>\$282,000</u>	<u>\$275,527</u>	<u>\$6,473</u>

(continued)

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Other:				
Salaries and Wages	\$198,200	\$100,200	\$68,659	\$31,541
Benefits	202,900	181,900	181,777	123
Insurance	403,200	393,700	385,862	7,838
Professional Fees	557,247	560,747	500,375	60,372
Other	2,185,113	2,040,613	1,725,872	314,741
Total Other	3,546,660	3,277,160	2,862,545	414,615
Court:				
Salaries and Wages	193,100	193,100	161,121	31,979
Benefits	76,800	76,800	60,533	16,267
Other	68,786	68,786	38,042	30,744
Total Court	338,686	338,686	259,696	78,990
Service Administration:				
Salaries and Wages	331,100	326,100	317,644	8,456
Benefits	140,176	140,176	119,039	21,137
Other	8,343	8,343	3,621	4,722
Total Service Administration	479,619	474,619	440,304	34,315
Income Tax Collection:				
Other	725,000	725,000	721,780	3,220
Court Program Fees				
Other	7,950	7,950	450	7,500
Inaugural Ball				
Other	100,500	39,100	37,730	1,370
Total General Government	\$6,744,844	\$6,356,944	\$5,757,908	\$599,036

(continued)

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Security of Persons and Property:				
Police:				
Salaries and Wages	\$3,836,600	\$3,836,600	\$3,558,686	\$277,914
Benefits	924,824	898,824	821,022	77,802
Other	209,062	209,062	141,027	68,035
Total Police	<u>4,970,486</u>	<u>4,944,486</u>	<u>4,520,735</u>	<u>423,751</u>
Fire:				
Salaries and Wages	2,077,600	2,142,600	1,821,109	321,491
Benefits	855,273	865,273	852,205	13,068
Other	187,519	187,519	173,555	13,964
Total Fire	<u>3,120,392</u>	<u>3,195,392</u>	<u>2,846,869</u>	<u>348,523</u>
Total Security of Persons and Property	<u>8,090,878</u>	<u>8,139,878</u>	<u>7,367,604</u>	<u>772,274</u>
Leisure Time Activities:				
Parks and Playgrounds:				
Salaries and Wages	\$202,100	\$202,100	\$190,200	\$11,900
Benefits	54,000	55,000	50,839	4,161
Other	116,335	132,435	111,672	20,763
Total Parks and Playgrounds	<u>372,435</u>	<u>389,535</u>	<u>352,711</u>	<u>36,824</u>
Pools:				
Salaries and Wages	302,800	297,800	277,653	20,147
Benefits	49,700	49,700	43,844	5,856
Other	37,827	39,827	38,194	1,633
Total Pools	<u>390,327</u>	<u>387,327</u>	<u>359,691</u>	<u>27,636</u>
Concession Stand:				
Salaries and Wages	32,100	37,100	36,756	344
Other	43,952	43,952	42,662	1,290
Total Concession Stand	<u>76,052</u>	<u>81,052</u>	<u>79,418</u>	<u>1,634</u>
Field House:				
Salaries and Wages	63,800	63,800	62,565	1,235
Benefits	28,900	28,900	26,008	2,892
Other	21,881	28,481	20,613	7,868
Total Field House	<u>\$114,581</u>	<u>\$121,181</u>	<u>\$109,186</u>	<u>\$11,995</u>

(continued)

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Administration:				
Salaries and Wages	\$790,900	\$806,900	\$802,381	\$4,519
Benefits	284,300	292,300	289,193	3,107
Other	4,800	4,200	3,547	653
Total Administration	1,080,000	1,103,400	1,095,121	8,279
Civic Center:				
Salaries and Wages	525,800	528,800	522,849	5,951
Benefits	215,500	219,500	214,044	5,456
Other	128,466	133,466	121,836	11,630
Total Civic Center	869,766	881,766	858,729	23,037
Total Leisure Time Activities	2,903,161	2,964,261	2,854,856	109,405
Community Environment:				
Building and Lands:				
Salaries and Wages	351,800	338,800	294,548	44,252
Benefits	124,700	130,200	121,794	8,406
Other	333,181	328,981	284,835	44,146
Total Building and Lands	809,681	797,981	701,177	96,804
Technical Services:				
Salaries and Wages	474,700	572,200	551,575	20,625
Benefits	196,000	235,000	204,488	30,512
Other	290,003	362,003	293,925	68,078
Total Technical Services	960,703	1,169,203	1,049,988	119,215
Building Department:				
Salaries and Wages	484,300	574,000	517,382	56,618
Benefits	171,700	219,200	175,848	43,352
Other	91,929	165,429	136,018	29,411
Total Building Department	747,929	958,629	829,248	129,381
Boards and Commissions:				
Salaries and Wages	52,300	52,300	44,395	7,905
Benefits	7,200	7,200	6,190	1,010
Other	900	900	197	703
Total Boards and Commissions	60,400	60,400	50,782	9,618
Total Community Environment	\$2,578,713	\$2,986,213	\$2,631,195	\$355,018

(continued)

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Basic Utility Services				
Rubbish:				
Salaries and Wages	\$51,300	\$51,300	\$26,615	\$24,685
Benefits	12,800	12,800	3,853	8,947
Other	<u>205,672</u>	<u>222,572</u>	<u>220,798</u>	<u>1,774</u>
Total Rubbish	<u>\$269,772</u>	<u>\$286,672</u>	<u>\$251,266</u>	<u>\$35,406</u>
Sewer/Water Control:				
Salaries and Wages	177,900	177,900	173,101	4,799
Benefits	78,900	79,400	76,117	3,283
Other	<u>36,307</u>	<u>36,307</u>	<u>19,384</u>	<u>16,923</u>
Total Sewer/Water Control	<u>293,107</u>	<u>293,607</u>	<u>268,602</u>	<u>25,005</u>
Total Basic Utility Services	<u>562,879</u>	<u>580,279</u>	<u>519,868</u>	<u>60,411</u>
Transportation:				
Equipment and Motor Pool:				
Salaries and Wages	390,900	360,900	323,978	36,922
Benefits	128,500	118,500	111,924	6,576
Other	<u>263,593</u>	<u>240,093</u>	<u>234,457</u>	<u>5,636</u>
Total Transportation	<u>782,993</u>	<u>719,493</u>	<u>670,359</u>	<u>49,134</u>
Total Expenditures	<u>21,663,468</u>	<u>21,747,068</u>	<u>19,801,790</u>	<u>1,945,278</u>
Excess of Revenues Over Expenditures	<u>8,325,514</u>	<u>6,797,064</u>	<u>8,600,467</u>	<u>1,803,403</u>
Other Financing Sources (Uses)				
Advances In	0	2,274,900	2,274,900	0
Advances Out	(2,310,000)	(2,390,000)	(2,390,000)	0
Transfers Out	<u>(8,812,000)</u>	<u>(9,817,000)</u>	<u>(9,817,000)</u>	<u>0</u>
Total Other Financing (Uses)	<u>(11,122,000)</u>	<u>(9,932,100)</u>	<u>(9,932,100)</u>	<u>0</u>
Net Change in Fund Balance	(2,796,486)	(3,135,036)	(1,331,633)	1,803,403
Fund Balance Beginning of Year	6,208,127	6,208,127	6,208,127	0
Prior Year Encumbrances Appropriated	<u>749,468</u>	<u>749,468</u>	<u>749,468</u>	<u>0</u>
Fund Balance End of Year	<u>\$4,161,109</u>	<u>\$3,822,559</u>	<u>\$5,625,962</u>	<u>\$1,803,403</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Quadrant Tax Increment Financing Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment Income	\$0	\$0	\$4,226	\$4,226
Payments in Lieu of Taxes	949,917	1,121,900	1,137,742	15,842
Miscellaneous	0	222,000	222,934	934
<i>Total Revenues</i>	<u>949,917</u>	<u>1,343,900</u>	<u>1,364,902</u>	<u>21,002</u>
Expenditures				
Capital Outlay:				
Capital Outlay	2,937,425	3,409,308	3,124,856	284,452
Debt Service:				
Principal Retirement	2,475,000	2,475,000	2,475,000	0
Interest and Fiscal Charges	499,600	499,600	499,336	264
Debt Issuance Cost	28,600	28,600	26,383	2,217
<i>Total Debt Service</i>	<u>3,003,200</u>	<u>3,003,200</u>	<u>3,000,719</u>	<u>2,481</u>
<i>Total Expenditures</i>	<u>5,940,625</u>	<u>6,412,508</u>	<u>6,125,575</u>	<u>286,933</u>
<i>Excess of Revenues</i> <i>Under Expenditures</i>	<u>(4,990,708)</u>	<u>(5,068,608)</u>	<u>(4,760,673)</u>	<u>307,935</u>
Other Financing Sources (Uses)				
Proceeds of Notes	4,500,000	4,500,000	4,500,000	0
Notes Premium	0	0	32,400	32,400
Advances In	2,390,000	2,390,000	2,390,000	0
Advances Out	(2,259,900)	(2,259,900)	(2,259,900)	0
<i>Total Other Financing Sources (Uses)</i>	<u>4,630,100</u>	<u>4,630,100</u>	<u>4,662,500</u>	<u>32,400</u>
<i>Net Change in Fund Balance</i>	(360,608)	(438,508)	(98,173)	340,335
<i>Fund Balance Beginning of Year</i>	548,892	548,892	548,892	0
Prior Year Encumbrances Appropriated	469,308	469,308	469,308	0
<i>Fund Balance End of Year</i>	<u><u>\$657,592</u></u>	<u><u>\$579,692</u></u>	<u><u>\$920,027</u></u>	<u><u>\$340,335</u></u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Capital Improvements Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment Income	\$0	\$0	\$5,730	\$5,730
Miscellaneous	0	23,500	51,720	28,220
<i>Total Revenues</i>	<u>0</u>	<u>23,500</u>	<u>57,450</u>	<u>33,950</u>
Expenditures				
Capital Outlay:				
Capital Outlay	2,859,254	2,858,943	2,625,710	233,233
Debt Service:				
Principal Retirement	4,800,000	4,800,000	4,800,000	0
Interest and Fiscal Charges	409,500	409,500	409,408	92
Debt Issuance Cost	14,600	14,600	13,484	1,116
<i>Total Debt Service</i>	<u>5,224,100</u>	<u>5,224,100</u>	<u>5,222,892</u>	<u>1,208</u>
<i>Total Expenditures</i>	<u>8,083,354</u>	<u>8,083,043</u>	<u>7,848,602</u>	<u>234,441</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(8,083,354)</u>	<u>(8,059,543)</u>	<u>(7,791,152)</u>	<u>268,391</u>
Other Financing Sources				
Refunding Notes Issued	2,300,000	2,300,000	2,300,000	0
Notes Premium	0	0	16,560	16,560
Transfers In	4,123,500	4,360,000	4,360,000	0
<i>Total Other Financing Sources</i>	<u>6,423,500</u>	<u>6,660,000</u>	<u>6,676,560</u>	<u>16,560</u>
<i>Net Change in Fund Balance</i>	(1,659,854)	(1,399,543)	(1,114,592)	284,951
<i>Fund Balance Beginning of Year</i>	125,160	125,160	125,160	0
Prior Year Encumbrances Appropriated	1,344,254	1,344,254	1,344,254	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$190,440)</u>	<u>\$69,871</u>	<u>\$354,822</u>	<u>\$284,951</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Resurfacing Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	0
Expenditures				
Capital Outlay:				
Capital Outlay	3,915,128	4,355,328	4,028,415	326,913
Debt Service:				
Principal Retirement	0	6,800	6,767	33
<i>Total Expenditures</i>	3,915,128	4,362,128	4,035,182	326,946
<i>Excess of Revenues Under Expenditures</i>	(3,915,128)	(4,362,128)	(4,035,182)	326,946
Other Financing Sources				
Transfers In	2,600,000	2,720,000	2,720,000	0
<i>Net Change in Fund Balance</i>	(1,315,128)	(1,642,128)	(1,315,182)	326,946
<i>Fund Balance Beginning of Year</i>	337,385	337,385	337,385	0
Prior Year Encumbrances Appropriated	1,323,328	1,323,328	1,323,328	0
<i>Fund Balance End of Year</i>	\$345,585	\$18,585	\$345,531	\$326,946

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
State Highway Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$32,500	\$32,500	\$35,770	\$3,270
Interest	0	0	101	101
<i>Total Revenues</i>	32,500	32,500	35,871	3,371
Expenditures				
Current:				
Transportation:				
Streets, Sidewalks, and Maintenance:				
Other	25,000	25,000	25,000	0
<i>Net Change in Fund Balance</i>	7,500	7,500	10,871	3,371
<i>Fund Balance Beginning of Year</i>	36,866	36,866	36,866	0
<i>Fund Balance End of Year</i>	\$44,366	\$44,366	\$47,737	\$3,371

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Motor Vehicle License Tax Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$25,000	\$20,000	\$34,382	\$14,382
Interest	0	0	35	35
<i>Total Revenues</i>	25,000	20,000	34,417	14,417
Expenditures				
Current:				
Transportation:				
Streets, Sidewalks, and Maintenance:				
Other	33,000	33,000	33,000	0
<i>Net Change in Fund Balance</i>	(8,000)	(13,000)	1,417	14,417
<i>Fund Balance Beginning of Year</i>	13,217	13,217	13,217	0
Prior Year Encumbrances Appropriated	8,000	8,000	8,000	0
<i>Fund Balance End of Year</i>	<u>\$13,217</u>	<u>\$8,217</u>	<u>\$22,634</u>	<u>\$14,417</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$400,000	\$400,000	\$441,165	\$41,165
Interest	0	0	2,531	2,531
Miscellaneous	0	0	6,021	6,021
<i>Total Revenues</i>	400,000	400,000	449,717	49,717
Expenditures				
Current:				
Transportation:				
Streets, Sidewalks, and Maintenance:				
Salaries and Wages	814,600	789,600	674,985	114,615
Benefits	278,162	248,162	223,496	24,666
Other	759,336	839,336	749,455	89,881
<i>Total Expenditures</i>	1,852,098	1,877,098	1,647,936	229,162
<i>Excess of Revenues Under Expenditures</i>	(1,452,098)	(1,477,098)	(1,198,219)	278,879
Other Financing Sources				
Transfers In	1,300,000	1,300,000	1,300,000	0
<i>Net Change in Fund Balance</i>	(152,098)	(177,098)	101,781	278,879
<i>Fund Balance Beginning of Year</i>	319,092	319,092	319,092	0
Prior Year Encumbrances Appropriated	68,398	68,398	68,398	0
<i>Fund Balance End of Year</i>	\$235,392	\$210,392	\$489,271	\$278,879

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Enforcement and Education Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$2,500	\$1,000	\$1,631	\$631
Expenditures				
Current:				
Security of Persons and Property:				
Police Department:				
Other	2,500	2,500	500	2,000
<i>Net Change in Fund Balance</i>	0	(1,500)	1,131	2,631
<i>Fund Balance Beginning of Year</i>	6,851	6,851	6,851	0
<i>Fund Balance End of Year</i>	<u>\$6,851</u>	<u>\$5,351</u>	<u>\$7,982</u>	<u>\$2,631</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Indigent Drivers Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$5,000	\$2,500	\$1,854	(\$646)
Expenditures				
Current:				
Security of Persons and Property:				
Police Department:				
Other	5,000	5,000	0	5,000
<i>Net Change in Fund Balance</i>	0	(2,500)	1,854	4,354
<i>Fund Balance Beginning of Year</i>	12,303	12,303	12,303	0
<i>Fund Balance End of Year</i>	<u>\$12,303</u>	<u>\$9,803</u>	<u>\$14,157</u>	<u>\$4,354</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Drug Offense Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$5,000	\$5,000	\$6,042	\$1,042
Expenditures				
Current:				
Security of Persons and Property:				
Police Department:				
Other	10,000	10,000	0	10,000
<i>Net Change in Fund Balance</i>	(5,000)	(5,000)	6,042	11,042
<i>Fund Balance Beginning of Year</i>	36,767	36,767	36,767	0
<i>Fund Balance End of Year</i>	<u>\$31,767</u>	<u>\$31,767</u>	<u>\$42,809</u>	<u>\$11,042</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$20,000	\$15,000	\$1,623	(\$13,377)
Miscellaneous	0	0	13,236	13,236
<i>Total Revenues</i>	20,000	15,000	14,859	(141)
Expenditures				
Current:				
Security of Persons and Property:				
Police Department:				
Other	20,000	25,000	20,131	4,869
<i>Net Change in Fund Balance</i>	0	(10,000)	(5,272)	4,728
<i>Fund Balance Beginning of Year</i>	29,076	29,076	29,076	0
<i>Fund Balance End of Year</i>	\$29,076	\$19,076	\$23,804	\$4,728

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Federal Forfeiture Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$50,000	\$135,000	\$143,354	\$8,354
Expenditures				
Current:				
Security of Persons and Property:				
Police Department:				
Other	81,156	251,656	247,147	4,509
<i>Net Change in Fund Balance</i>	(31,156)	(116,656)	(103,793)	12,863
<i>Fund Balance Beginning of Year</i>	166,132	166,132	166,132	0
Prior Year Encumbrances Appropriated	31,156	31,156	31,156	0
<i>Fund Balance End of Year</i>	<u>\$166,132</u>	<u>\$80,632</u>	<u>\$93,495</u>	<u>\$12,863</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Mayor's Court Computer Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$12,000	\$6,000	\$3,918	(\$2,082)
Expenditures				
Current:				
General Government:				
Mayor's Court Computer:				
Other	31,396	31,396	20,833	10,563
<i>Net Change in Fund Balance</i>	(19,396)	(25,396)	(16,915)	8,481
<i>Fund Balance Beginning of Year</i>	63,527	63,527	63,527	0
Prior Year Encumbrances Appropriated	396	396	396	0
<i>Fund Balance End of Year</i>	<u>\$44,527</u>	<u>\$38,527</u>	<u>\$47,008</u>	<u>\$8,481</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
FEMA Grant Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$500	\$500	\$0	(\$500)
Expenditures				
Current:				
Security of Persons and Property:				
Fire Department:				
Other	500	500	0	500
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	559	559	559	0
<i>Fund Balance End of Year</i>	<u>\$559</u>	<u>\$559</u>	<u>\$559</u>	<u>\$0</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Handicap Parking Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$7,000	\$1,000	\$275	(\$725)
Expenditures				
Current:				
General Government:				
Other General Government:				
Other	10,000	10,000	0	10,000
<i>Net Change in Fund Balance</i>	(3,000)	(9,000)	275	9,275
<i>Fund Balance Beginning of Year</i>	23,367	23,367	23,367	0
<i>Fund Balance End of Year</i>	<u>\$20,367</u>	<u>\$14,367</u>	<u>\$23,642</u>	<u>\$9,275</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Friends for Life Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Current:				
General Government:				
Other General Government:				
Other	500	500	0	500
<i>Net Change in Fund Balance</i>	(500)	(500)	0	500
<i>Fund Balance Beginning of Year</i>	2,085	2,085	2,085	0
<i>Fund Balance End of Year</i>	<u>\$1,585</u>	<u>\$1,585</u>	<u>\$2,085</u>	<u>\$500</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Twenty-Five and Alive Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$2,100	\$2,100	\$2,063	(\$37)
Expenditures				
Current:				
General Government:				
Other General Government:				
Other	5,500	10,050	8,086	1,964
<i>Excess of Revenues Under Expenditures</i>	(3,400)	(7,950)	(6,023)	1,927
Other Financing Sources				
Transfers In	2,000	2,000	2,000	0
<i>Net Change in Fund Balance</i>	(1,400)	(5,950)	(4,023)	1,927
<i>Fund Balance Beginning of Year</i>	15,292	15,292	15,292	0
<i>Fund Balance End of Year</i>	\$13,892	\$9,342	\$11,269	\$1,927

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Home Days Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$47,500	\$47,500	\$45,829	(\$1,671)
Expenditures				
Current:				
General Government:				
Other General Government:				
Other	47,500	47,500	41,705	5,795
<i>Net Change in Fund Balance</i>	0	0	4,124	4,124
<i>Fund Balance Beginning of Year</i>	5,557	5,557	5,557	0
<i>Fund Balance End of Year</i>	<u>\$5,557</u>	<u>\$5,557</u>	<u>\$9,681</u>	<u>\$4,124</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
I Can Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$4,000	\$4,000	\$3,889	(\$111)
Expenditures				
Current:				
General Government:				
Other General Government:				
Other	4,019	7,019	5,683	1,336
<i>Excess of Revenues</i>				
<i>Under Expenditures</i>	(19)	(3,019)	(1,794)	1,225
Other Financing Sources				
Transfers In	0	2,000	2,000	0
<i>Net Change in Fund Balance</i>	(19)	(1,019)	206	1,225
<i>Fund Balance Beginning of Year</i>	9,171	9,171	9,171	0
Prior Year Encumbrances Appropriated	19	19	19	0
<i>Fund Balance End of Year</i>	\$9,171	\$8,171	\$9,396	\$1,225

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Tree Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Current:				
General Government:				
Other General Government:				
Other	11,114	11,114	4,814	6,300
<i>Excess of Revenues Under Expenditures</i>	(11,114)	(11,114)	(4,814)	6,300
Other Financing Sources				
Operating Transfers In	6,000	6,000	6,000	0
<i>Net Change in Fund Balance</i>	(5,114)	(5,114)	1,186	6,300
<i>Fund Balance Beginning of Year</i>	7,876	7,876	7,876	0
Prior Year Encumbrances Appropriated	4,814	4,814	4,814	0
<i>Fund Balance End of Year</i>	<u>\$7,576</u>	<u>\$7,576</u>	<u>\$13,876</u>	<u>\$6,300</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Cemetery Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$25,000	\$25,000	\$24,625	(\$375)
Expenditures				
Current:				
Public Health and Welfare:				
Cemetery:				
Other	97,121	97,121	96,397	724
<i>Excess of Revenues</i>				
<i> Under Expenditures</i>	(72,121)	(72,121)	(71,772)	349
Other Financing Sources				
Transfers In	75,000	75,000	75,000	0
<i>Net Change in Fund Balance</i>	2,879	2,879	3,228	349
<i>Fund Balance Beginning of Year</i>	34,095	34,095	34,095	0
Prior Year Encumbrances Appropriated	2,121	2,121	2,121	0
<i>Fund Balance End of Year</i>	<u>\$39,095</u>	<u>\$39,095</u>	<u>\$39,444</u>	<u>\$349</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Recreation Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fees, Licenses and Permits	\$350,000	\$350,000	\$309,002	(\$40,998)
Miscellaneous	0	0	3,223	3,223
<i>Total Revenues</i>	350,000	350,000	312,225	(37,775)
Expenditures				
Current:				
Leisure Time Activities				
Recreation:				
Other	581,711	581,711	510,038	71,673
<i>Excess of Revenues Under Expenditures</i>	(231,711)	(231,711)	(197,813)	33,898
Other Financing Sources				
Transfers In	200,000	200,000	200,000	0
<i>Net Change in Fund Balance</i>	(31,711)	(31,711)	2,187	33,898
<i>Fund Balance Beginning of Year</i>	94,580	94,580	94,580	0
Prior Year Encumbrances Appropriated	31,711	31,711	31,711	0
<i>Fund Balance End of Year</i>	<u>\$94,580</u>	<u>\$94,580</u>	<u>\$128,478</u>	<u>\$33,898</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Pension Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$133,156	\$133,156	\$135,061	\$1,905
Intergovernmental	0	0	5,490	5,490
<i>Total Revenues</i>	133,156	133,156	140,551	7,395
Expenditures				
Current:				
Security of Persons and Property:				
Police Department:				
Other	660,000	660,000	516,523	143,477
<i>Excess of Revenues Under Expenditures</i>	(526,844)	(526,844)	(375,972)	150,872
Other Financing Sources				
Transfers In	535,000	535,000	535,000	0
<i>Net Change in Fund Balance</i>	8,156	8,156	159,028	150,872
<i>Fund Balance Beginning of Year</i>	378,925	378,925	378,925	0
<i>Fund Balance End of Year</i>	<u>\$387,081</u>	<u>\$387,081</u>	<u>\$537,953</u>	<u>\$150,872</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Compensated Absences Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$0	\$0	\$71	71
Expenditures				
Current:				
Salaries and Wages				
Other	50,000	50,000	38,557	11,443
<i>Net Change in Fund Balance</i>	(50,000)	(50,000)	(38,486)	11,514
<i>Fund Balance Beginning of Year</i>	750,828	750,828	750,828	0
<i>Fund Balance End of Year</i>	\$700,828	\$700,828	\$712,342	\$11,514

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Bond Retirement Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Debt Service:				
Interest and Fiscal Charges	0	1,000	0	1,000
<i>Net Change in Fund Balance</i>	0	(1,000)	0	1,000
<i>Fund Balance Beginning of Year</i>	51,312	51,312	51,312	0
<i>Fund Balance End of Year</i>	<u>\$51,312</u>	<u>\$50,312</u>	<u>\$51,312</u>	<u>\$1,000</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Drain Water Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Capital Outlay:				
Capital Outlay	313,520	607,320	569,819	37,501
Debt Service:				
Principal Retirement	0	11,700	4,961	6,739
Interest and Fiscal Charges	0	0	762	(762)
<i>Total Expenditures</i>	313,520	619,020	575,542	43,478
<i>Excess of Revenues Under Expenditures</i>	(313,520)	(619,020)	(575,542)	43,478
Other Financing Sources				
OWDA Loans Issued	52,500	52,500	42,852	(9,648)
Transfers In	160,000	360,000	360,000	0
<i>Total Other Financing Sources</i>	212,500	412,500	402,852	(9,648)
<i>Net Change in Fund Balance</i>	(101,020)	(206,520)	(172,690)	33,830
<i>Fund Balance Beginning of Year</i>	152,010	152,010	152,010	0
Prior Year Encumbrances Appropriated	91,820	91,820	91,820	0
<i>Fund Balance End of Year</i>	<u>\$142,810</u>	<u>\$37,310</u>	<u>\$71,140</u>	<u>\$33,830</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Rockside Woods Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special Assessments	\$4,000	\$4,009	\$0	(\$4,009)
Expenditures				
Capital Outlay:				
Capital Outlay	0	9	9	0
<i>Excess of Revenues Over (Under) Expenditures</i>	4,000	4,000	(9)	(4,009)
Other Financing Uses				
Advances Out	(18,500)	(16,000)	(15,000)	1,000
<i>Net Change in Fund Balance</i>	(14,500)	(12,000)	(15,009)	(3,009)
<i>Fund Balance Beginning of Year</i>	15,948	15,948	15,948	0
<i>Fund Balance End of Year</i>	<u>\$1,448</u>	<u>\$3,948</u>	<u>\$939</u>	<u>(\$3,009)</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Issue II Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special Assessments	\$50,000	\$50,000	\$54,732	\$4,732
Expenditures				
Capital Outlay:				
Capital Outlay	1,000	1,000	537	463
Debt Service:				
Interest and Fiscal Charges	15,100	15,100	15,023	77
<i>Total Expenditures</i>	16,100	16,100	15,560	540
<i>Net Change in Fund Balance</i>	33,900	33,900	39,172	5,272
<i>Fund Balance Beginning of Year</i>	4,759	4,759	4,759	0
<i>Fund Balance End of Year</i>	\$38,659	\$38,659	\$43,931	\$5,272

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Public Safety Equipment Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Capital Outlay:				
Capital Outlay	544,748	629,348	624,004	5,344
<i>Excess of Revenues Under Expenditures</i>	(544,748)	(629,348)	(624,004)	5,344
Other Financing Sources				
Transfers In	225,000	250,000	250,000	0
<i>Net Change in Fund Balance</i>	(319,748)	(379,348)	(374,004)	5,344
<i>Fund Balance Beginning of Year</i>	78,951	78,951	78,951	0
Prior Year Encumbrances Appropriated	306,848	306,848	306,848	0
<i>Fund Balance End of Year</i>	\$66,051	\$6,451	\$11,795	\$5,344

City of Independence, Ohio
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Route 21 and Pleasant Valley Fund
For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$0	\$0	\$0	\$0
Expenditures				
Capital Outlay:				
Capital Outlay	12,949	1,649	1,630	19
Debt Service:				
Principal Retirement	0	5,700	5,625	75
<i>Total Expenditures</i>	<u>12,949</u>	<u>7,349</u>	<u>7,255</u>	<u>94</u>
<i>Excess of Revenues Under Expenditures</i>	(12,949)	(7,349)	(7,255)	94
Other Financing Sources				
Transfers In	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(5,949)	(349)	(255)	94
<i>Fund Balance Beginning of Year</i>	10,450	10,450	10,450	0
Prior Year Encumbrances Appropriated	<u>1,650</u>	<u>1,650</u>	<u>1,650</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,151</u></u>	<u><u>\$11,751</u></u>	<u><u>\$11,845</u></u>	<u><u>\$94</u></u>

City of Independence, Ohio
Schedule of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
Insurance Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment Income	\$50,000	\$50,000	\$54,607	\$4,607
Miscellaneous	0	0	0	0
<i>Total Revenues</i>	50,000	50,000	54,607	4,607
Expenses				
Contractual Services	0	3,193	2,998	195
Claims	106,192	337,999	331,043	6,956
<i>Total Expenses</i>	106,192	341,192	334,041	7,151
<i>Net Change in Fund Equity</i>	(56,192)	(291,192)	(279,434)	11,758
<i>Fund Equity Beginning of Year</i>	2,332,687	2,332,687	2,332,687	0
Prior Year Encumbrances Appropriated	6,192	6,192	6,192	0
<i>Fund Equity End of Year</i>	\$2,282,687	\$2,047,687	\$2,059,445	\$11,758

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Statistical Section



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Statistical Section

This part of the City’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City’s overall financial health.

Contents	Pages(s)
<i>Financial Trends</i>	<i>S2 – S9</i>
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	<i>S10 – S18</i>
These schedules contain information to help the reader assess the City’s most significant local revenue sources, the property tax and the municipal income tax.	
<i>Debt Capacity</i>	<i>S19 – S24</i>
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
<i>Economic and Demographic Information</i>	<i>S25 – S26</i>
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place.	
<i>Operating Information</i>	<i>S28 – S35</i>
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Financial Reports for the relevant year.

City of Independence, Ohio

Net Position By Component

Last Ten Years

(Accrual Basis of Accounting)

	<u>2012 (1)</u>	<u>2011 (1)</u>	<u>2010 (1)</u>	<u>2009</u>
Governmental Activities				
Net Investment in Capital Assets	\$62,244,507	\$61,396,249	\$60,224,288	\$58,812,856
Restricted:				
Capital Projects	6,332,527	5,970,224	5,626,721	5,682,081
State Highway	63,120	50,709	47,440	160,172
Federal Forfeiture	0	0	0	0
Street Construction, Maintenance and Repair	785,419	488,409	417,443	370,883
Police Pension	493,713	266,244	178,065	0
Other Purposes	612,104	382,347	376,685	729,207
Unrestricted (Deficit)	<u>16,064,345</u>	<u>13,997,009</u>	<u>8,859,361</u>	<u>9,641,596</u>
<i>Total Governmental Activities Net Assets</i>	<u>\$86,595,735</u>	<u>\$82,551,191</u>	<u>\$75,730,003</u>	<u>\$75,396,795</u>

(1) The City implemented GASB 54 in 2011, causing the classification of net assets to change.

2008	2007	2006	2005	2004	2003
\$58,712,220	\$55,982,088	\$51,169,988	\$44,444,252	\$53,026,762	\$56,892,794
5,045,601	4,749,445	4,666,275	8,822,024	4,847,751	9,747,148
128,179	252,401	102,812	68,799	183,949	147,633
0	0	0	0	0	100,677
229,877	349,348	319,972	335,249	263,556	204,126
0	0	0	0	0	0
479,632	235,472	313,121	31,478	306,066	76,757
7,570,792	7,132,575	10,334,270	11,502,487	10,617,441	(108,221)
<u>\$72,166,301</u>	<u>\$68,701,329</u>	<u>\$66,906,438</u>	<u>\$65,204,289</u>	<u>\$69,245,525</u>	<u>\$67,060,914</u>

City of Independence, Ohio

Changes in Net Position

Last Ten Years

(Accrual Basis of Accounting)

	2012	2011	2010	2009
Program Revenues				
Governmental Activities:				
Charges for Services and Sales:				
General Government	\$306,760	\$292,763	\$458,491	\$306,346
Security of Persons and Property	537,653	491,945	660,947	427,036
Public Health and Welfare	24,625	32,305	29,091	35,615
Leisure Time Activities	456,211	447,776	544,419	467,713
Community Environment	125,813	99,303	164,973	100,143
Basic Utility Services	28,388	23,449	38,713	26,540
Transportation	76,006	33,168	56,584	33,412
Operating Grants	534,869	448,183	503,565	471,385
Capital Grants and Assessments	95,572	387,666	126,493	161,639
<i>Total Government Activities Program Revenues</i>	<u>2,185,897</u>	<u>2,256,558</u>	<u>2,583,276</u>	<u>2,029,829</u>
Expenses				
Governmental Activities:				
General Government	8,505,708	8,703,896	8,438,678	7,220,679
Security of Persons and Property	8,572,099	8,350,722	8,589,758	8,391,597
Public Health and Welfare	96,354	93,610	92,233	86,508
Leisure Time Activities	3,470,342	3,345,289	3,290,294	3,236,299
Community Environment	2,492,457	2,130,225	2,297,512	2,193,992
Basic Utility Services	578,200	913,604	899,624	735,732
Transportation	3,754,236	4,546,613	3,748,132	4,375,394
Intergovernmental	0	0	0	0
Interest and Fiscal Charges	1,098,008	386,620	1,225,360	1,279,989
<i>Total Governmental Activities Expenses</i>	<u>28,567,404</u>	<u>28,470,579</u>	<u>28,581,591</u>	<u>27,520,190</u>
Net (Expense)/Revenue				
Governmental Activities	<u>(26,381,507)</u>	<u>(26,214,021)</u>	<u>(25,998,315)</u>	<u>(25,490,361)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities				
Property and Other Local Taxes Levied For (1):				
General Purposes	877,092	900,223	719,362	1,167,611
Debt Service	0	0	220,812	368,719
Other Purposes	138,482	128,505	111,137	184,358
Municipal Income Tax levied for General Purposes	25,743,991	24,050,310	21,115,584	23,982,611
Estate Taxes (2)	173,733	4,785,946	550,909	0
Hotel/Motel Tax Levied for General Purposes	1,188,902	1,072,995	981,164	939,861
Amusement Tax Levied for General Purposes	11,078	8,268	15,273	18,078
Grants and Entitlements not Restricted to Specific Programs	230,790	457,658	747,657	789,889
Investment Income	89,027	75,505	120,620	143,810
Payments in Lieu of Taxes	1,289,281	934,263	1,279,283	669,941
Miscellaneous	683,675	621,536	469,722	455,977
<i>Total Governmental Activities General Revenues</i>	<u>30,426,051</u>	<u>33,035,209</u>	<u>26,331,523</u>	<u>28,720,855</u>
Change in Governmental Activities Net Assets	<u>\$4,044,544</u>	<u>\$6,821,188</u>	<u>\$333,208</u>	<u>\$3,230,494</u>

(1) Prior to 2007, hotel/motel and amusement taxes were included in property and other local taxes.

(2) Prior to 2010, estate taxes were included in grants and entitlements not restricted to specific programs.

2008	2007	2006	2005	2004	2003
\$228,665	\$163,975	\$186,680	\$165,776	\$192,538	\$178,670
426,786	285,474	380,208	322,733	479,047	463,883
80,519	1,605	5,601	4,084	3,963	6,111
497,839	449,308	388,899	428,089	442,750	425,365
110,965	73,080	74,654	98,546	109,565	115,533
24,477	19,201	19,305	21,415	21,994	23,580
38,807	28,045	28,936	35,394	37,771	43,852
509,418	594,026	474,954	506,166	511,867	265,923
32,489	6,871,738	425,251	254,184	2,730,500	5,262,736
1,949,965	8,486,452	1,984,488	1,836,387	4,529,995	6,785,653
6,550,823	6,994,963	8,191,861	9,116,223	4,985,297	4,326,525
8,812,839	8,396,575	7,642,209	8,103,488	8,054,485	7,590,926
146,451	51,713	150,106	99,259	86,338	124,341
3,350,070	3,178,450	2,780,531	3,224,755	2,979,761	2,823,516
2,514,940	2,375,832	2,020,142	2,412,397	2,413,794	2,399,740
705,039	699,018	938,050	1,031,008	992,297	967,790
4,669,006	6,222,871	3,459,425	5,101,022	5,340,467	3,607,364
0	6,777,393	0	0	0	0
1,418,440	1,578,292	1,618,688	1,489,443	1,244,926	885,485
28,167,608	36,275,107	26,801,012	30,577,595	26,097,365	22,725,687
(26,217,643)	(27,788,655)	(24,816,524)	(28,741,208)	(21,567,370)	(15,940,034)
1,016,192	1,151,317	2,024,599	1,685,417	1,846,133	1,872,814
318,699	326,369	313,916	271,231	288,416	522,549
170,232	203,220	160,227	103,473	142,208	141,826
22,488,246	23,387,075	21,378,552	19,588,902	19,452,865	18,142,284
0	0	0	0	0	0
1,150,342	1,088,235	0	0	0	0
18,027	19,796	0	0	0	0
1,548,168	796,657	859,930	939,083	892,046	1,140,063
368,767	770,803	604,679	992,603	516,584	361,782
1,880,535	876,043	226,583	0	0	0
723,407	964,031	950,187	1,119,263	613,729	362,688
29,682,615	29,583,546	26,518,673	24,699,972	23,751,981	22,544,006
\$3,464,972	\$1,794,891	\$1,702,149	(\$4,041,236)	\$2,184,611	\$6,603,972

City of Independence, Ohio
Fund Balances, Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)

	2012	2011	2010	2009
General Fund				
Reserved	\$0	\$0	\$0	\$6,970,514
Unreserved	0	0	0	5,821,100
Nonspendable	9,604,531	9,683,982	8,136,230	0
Restricted	0	0	0	0
Committed	0	0	0	0
Assigned	3,081,515	1,409,336	643,004	0
Unassigned	6,656,522	9,057,536	5,680,452	0
Total General Fund	19,342,568	20,150,854	14,459,686	12,791,614
All Other Governmental Funds				
Reserved	0	0	0	4,302,965
Unreserved, Undesignated (Deficit), Reported in:				
Special Revenue funds	0	0	0	956,246
Debt Service funds	0	0	0	(7,647,339)
Capital Projects funds	0	0	0	(393,020)
Nonspendable	0	1,875,000	1,875,000	0
Restricted	4,772,796	4,415,800	4,152,964	0
Committed	253,832	203,276	161,907	0
Unassigned (Deficit)	(8,628,368)	(10,369,372)	(9,255,698)	0
Total All Other Governmental Funds	(3,601,740)	(3,875,296)	(3,065,827)	(2,781,148)
Total Governmental Funds	\$15,740,828	\$16,275,558	\$11,393,859	\$10,010,466

Note: The City implemented GASB 54 in 2011

2008	2007	2006	2005	2004	2003
\$6,469,398	\$5,685,909	\$2,319,792	\$2,155,243	\$422,535	\$355,631
4,810,920	5,234,359	8,859,983	7,156,832	7,382,659	6,924,808
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
11,280,318	10,920,268	11,179,775	9,312,075	7,805,194	7,280,439
4,004,877	6,058,850	3,077,867	3,851,968	9,977,491	12,013,645
573,411	364,175	457,896	251,256	311,525	591,485
(7,267,284)	(6,531,435)	364,832	278,323	285,846	996,507
(32,682)	(2,108,901)	(2,719,260)	3,913,934	1,688,663	12,233,503
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(2,721,678)	(2,217,311)	1,181,335	8,295,481	12,263,525	25,835,140
\$8,558,640	\$8,702,957	\$12,361,110	\$17,607,556	\$20,068,719	\$33,115,579

City of Independence, Ohio
Changes in Fund Balances, Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)

	2012	2011	2010	2009	2008
Revenues					
Taxes (1)	\$27,059,648	\$30,438,989	\$24,505,900	\$24,760,639	\$25,645,624
Intergovernmental	821,712	1,453,994	1,802,980	1,463,683	2,028,911
Investment Income	65,720	75,505	67,424	75,323	245,344
Fees, Licenses and Permits	665,541	674,082	749,258	639,937	691,127
Fines and Forfeitures	323,332	320,814	552,602	462,930	378,855
Charges for Services	312,093	275,753	393,243	50,765	83,205
Rentals	221,322	150,060	258,115	243,173	254,871
Special Assessments	54,732	51,439	58,064	89,812	54,539
Payment in Lieu of Taxes	914,807	1,388,145	1,033,254	1,272,801	770,376
Miscellaneous	683,675	621,536	469,722	446,465	723,407
<i>Total Revenues</i>	<u>31,122,582</u>	<u>35,450,317</u>	<u>29,890,562</u>	<u>29,505,528</u>	<u>30,876,259</u>
Expenditures					
Current:					
General Government	5,689,973	6,057,103	5,832,145	5,785,603	5,356,297
Security of Persons and Property	8,078,230	8,049,439	8,343,766	8,100,541	8,450,592
Public Health and Welfare	95,769	92,369	92,021	86,508	96,797
Leisure Time Activities	3,297,852	3,268,970	3,237,635	3,187,729	3,313,837
Community Environment	2,430,958	2,057,304	2,241,800	2,136,723	2,472,765
Basic Utility Services	546,855	496,390	526,243	565,095	552,082
Transportation:					
Intergovernmental	0	0	0	0	0
Other	2,359,506	2,301,417	2,534,624	2,390,799	2,725,884
Capital Outlay	5,413,460	6,633,360	3,693,599	1,905,592	4,511,425
Debt Service:					
Principal Retirement	248,277	1,485,600	1,445,553	1,390,398	1,365,248
Refunded Notes Redeemed	7,100,000	0	0	1,200,000	600,000
Interest and Fiscal Charges	931,817	900,657	1,260,627	1,330,508	1,579,585
Debt Issuance Costs	39,867	231,073	43,200	0	0
<i>Total Expenditures</i>	<u>36,232,564</u>	<u>31,573,682</u>	<u>29,251,213</u>	<u>28,079,496</u>	<u>31,024,512</u>
<i>Excess of Revenues Over</i> <i>(Under) Expenditures</i>	<u>(5,109,982)</u>	<u>3,876,635</u>	<u>639,349</u>	<u>1,426,032</u>	<u>(148,253)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	0	0	0	20,125	3,936
Bond Anticipation Notes Issued	0	0	0	0	0
Current Refunding	0	(6,600,000)	(5,900,000)	(5,900,000)	(7,100,000)
Refunding Notes Issued	4,500,000	7,100,000	6,600,000	5,900,000	7,100,000
General Obligation Bonds Issued	0	16,935,000	0	0	0
Special Assessment Bonds Issued	0	0	0	0	0
OPWC Loan Issued	0	225,000	0	0	0
OWDA Loan Issued	42,852	9,668	0	0	0
Premium on General Obligation Bonds	0	959,129	44,044	5,669	0
Premium on Refunding Notes	32,400	82,573	0	0	0
Payment to Refunded Bond Escrow Agent	0	(17,706,306)	0	0	0
Inception of Capital Lease	0	0	0	0	0
Transfers In	9,817,000	8,375,800	8,376,500	5,576,485	7,669,000
Transfers Out	(9,817,000)	(8,375,800)	(8,376,500)	(5,576,485)	(7,669,000)
<i>Total Other Financing Sources (Uses)</i>	<u>4,575,252</u>	<u>1,005,064</u>	<u>744,044</u>	<u>25,794</u>	<u>3,936</u>
<i>Net Change in Fund Balances</i>	<u>(\$534,730)</u>	<u>\$4,881,699</u>	<u>\$1,383,393</u>	<u>\$1,451,826</u>	<u>(\$144,317)</u>
Debt Service as a Percentage of Noncapital Expenditures	3.7%	8.7%	10.1%	10.1%	13.4%

(1) Includes All Taxes

2007	2006	2005	2004	2003
\$25,700,104	\$23,702,165	\$22,112,467	\$21,450,696	\$20,752,589
8,039,065	1,819,536	1,656,582	4,096,896	5,693,128
590,439	466,309	913,835	472,951	361,782
709,936	681,069	662,272	735,203	718,605
298,541	394,785	363,501	515,736	496,741
12,211	18,021	38,864	36,689	41,648
0	1,808	0	0	0
88,289	54,674	38,970	25,000	362,736
712,048	226,583	0	0	0
873,393	950,187	1,119,263	613,729	362,688
<u>37,024,026</u>	<u>28,315,137</u>	<u>26,905,754</u>	<u>27,946,900</u>	<u>28,789,917</u>
5,534,996	5,233,963	4,048,540	4,833,510	5,062,317
8,024,379	7,684,493	7,773,464	7,676,970	7,228,353
49,480	156,935	99,105	86,338	94,848
3,065,576	2,843,285	3,165,517	2,946,376	2,758,908
2,315,832	2,098,700	2,394,982	2,391,832	2,378,175
592,856	540,928	519,660	475,860	473,105
6,777,393	0	0	0	0
2,450,069	2,118,211	2,514,550	2,129,507	2,047,996
8,292,293	9,286,939	11,188,741	17,660,524	8,702,345
1,359,148	1,247,070	1,172,783	11,529,050	10,550,091
600,000	600,000	500,000	0	0
1,620,157	1,751,059	1,301,228	1,224,777	795,370
0	0	157,525	0	331,409
<u>40,682,179</u>	<u>33,561,583</u>	<u>34,836,095</u>	<u>50,954,744</u>	<u>40,422,917</u>
<u>(3,658,153)</u>	<u>(5,246,446)</u>	<u>(7,930,341)</u>	<u>(23,007,844)</u>	<u>(11,633,000)</u>
0	0	0	0	0
0	0	8,400,000	9,900,000	10,400,000
(7,700,000)	(8,300,000)	(8,900,000)	0	0
7,700,000	8,300,000	0	0	0
0	0	5,800,000	0	26,320,000
0	0	0	0	700,000
0	0	0	0	0
0	0	0	0	0
0	0	147,601	0	1,081,533
0	0	0	0	0
0	0	0	0	(2,748,000)
0	0	21,577	60,984	0
11,268,134	5,557,000	10,543,376	5,006,541	10,800,000
<u>(11,268,134)</u>	<u>(5,557,000)</u>	<u>(10,543,376)</u>	<u>(5,006,541)</u>	<u>(10,800,000)</u>
<u>0</u>	<u>0</u>	<u>5,469,178</u>	<u>9,960,984</u>	<u>35,753,533</u>
<u>(\$3,658,153)</u>	<u>(\$5,246,446)</u>	<u>(\$2,461,163)</u>	<u>(\$13,046,860)</u>	<u>\$24,120,533</u>
10.4%	14.3%	12.5%	36.0%	36.2%

City of Independence, Ohio
Assessed Valuation and Estimated Actual Values of Taxable Property
Last Ten Years

Collection Year	Real Property			Tangible Personal Property	
	Assessed Value		Estimated Actual Value	Public Utility	
	Residential/ Agricultural	Commercial Industrial/PU		Assessed Value	Estimated Actual Value
2012	\$239,574,100	\$200,039,350	\$1,256,038,429	\$16,106,220	\$18,302,523
2011	247,790,560	216,815,880	1,327,446,971	14,613,270	16,605,989
2010	246,724,180	219,933,400	1,333,307,371	13,884,090	15,777,375
2009	247,400,130	233,371,680	1,373,633,743	11,424,750	12,982,670
2008	246,146,200	249,354,240	1,415,715,543	11,074,010	12,584,102
2007	243,061,090	242,628,230	1,387,683,771	19,920,220	22,636,614
2006	219,661,670	244,877,290	1,327,254,171	20,241,990	23,002,261
2005	217,259,750	255,391,400	1,350,431,857	25,368,400	28,827,727
2004	212,846,750	253,773,710	1,333,201,314	22,120,190	25,136,580
2003	264,140,960	192,864,210	1,305,729,057	16,012,173	18,195,651

Real property is reappraised every six years with a State mandated update of the current market value in the third year following each reappraisal.

The assessed value of real property (including public utility real property) is 35 percent of estimated true value. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property was assessed in previous years at 25 percent for machinery and equipment and 23 percent for inventories. General business tangible personal property tax was phased out beginning in 2006. Both types of general business tangible personal property were assessed at 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes were levied or collected in 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property is 2010). The City, however, received no tangible personal property taxes from telephone companies.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10 percent, 2 1/2 percent and homestead exemptions before being billed. Beginning in the 2006 collection year, the 10 percent rollback for commercial/industrial property has been eliminated.

Source: Cuyahoga County, Ohio; County Fiscal Officer

<u>Tangible Personal Property</u>					
<u>General Business</u>		<u>Total</u>			
<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio</u>	<u>Tax Rate</u>
\$0	\$0	\$455,719,670	\$1,274,340,951	35.76%	\$2.20
0	0	479,219,710	1,344,052,960	35.65	2.20
0	0	480,541,670	1,349,084,746	35.62	2.60
8,866,450	141,863,200	501,063,010	1,528,479,613	32.78	2.80
32,265,242	258,121,936	538,839,692	1,686,421,581	31.95	2.80
31,350,145	167,200,773	536,959,685	1,577,521,158	34.04	2.80
40,970,389	163,881,556	525,751,339	1,514,137,989	34.72	2.80
42,971,606	171,886,424	540,991,156	1,551,146,008	34.88	2.80
49,910,985	199,643,940	538,651,635	1,557,981,834	34.57	2.80
42,820,707	171,282,828	515,838,050	1,495,207,536	34.50	3.20

City of Independence, Ohio
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Assessed Valuation)
Last Ten Years

	2012	2011	2010	2009
Unvoted Millage				
Operating	\$1.9000	\$1.9000	\$1.9000	\$1.9000
Police Pension	0.3000	0.3000	0.3000	0.3000
<i>Total Unvoted Millage</i>	2.2000	2.2000	2.2000	2.2000
Charter Millage				
1990 Civic Center	0.0000	0.0000	0.4000	0.6000
Total Millage	\$2.2000	\$2.2000	\$2.6000	\$2.8000
Overlapping Rates by Taxing District				
Independence Local School District				
Residential/Agricultural Real	\$33.7028	\$32.9393	\$29.8969	\$30.0066
Commerical/Industrial and Public Utility Real	35.2000	34.0233	30.9096	30.8481
General Business and Public Utility Personal	35.2000	34.9000	31.9000	32.0000
Cuyahoga Valley Career Center				
Residential/Agricultural Real	2.0000	2.0000	2.0000	2.0000
Commerical/Industrial and Public Utility Real	2.0000	2.0000	2.0000	2.0000
General Business and Public Utility Personal	2.0000	2.0000	2.0000	2.0000
Cuyahoga County				
Residential/Agricultural Real	13.2200	13.1866	13.1866	13.1789
Commerical/Industrial and Public Utility Real	12.9968	12.8413	12.8413	12.8457
General Business and Public Utility Personal	13.2200	13.3200	13.3200	13.3200
Special Taxing Districts (1)				
Residential/Agricultural Real	7.5635	7.5041	7.4900	7.0068
Commerical/Industrial and Public Utility Real	7.4621	7.3648	7.3450	6.9119
General Business and Public Utility Personal	7.5800	7.5800	7.5800	7.2800

Source: Cuyahoga County Fiscal Officer

Note: The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year.

The City's basic property tax rate may be increased only by a majority vote of the City residents.

Charter millage is consistently applied to all types of property as opposed to the voted levies of the overlapping taxing districts.

Overlapping rates are those of local and county governments that apply to property owners within the City.

(1) Metro Parks, Port Authority, County Library, Community College

2008	2007	2006	2005	2004	2003
\$1.9000 0.3000	\$1.9000 0.3000	\$1.9000 0.3000	\$1.9000 0.3000	\$1.9000 0.3000	\$1.9000 0.3000
2.2000	2.2000	2.2000	2.2000	2.2000	2.2000
0.6000	0.6000	0.6000	0.6000	0.6000	1.0000
\$2.8000	\$2.8000	\$2.8000	\$2.8000	\$2.8000	\$3.2000
\$29.2736 29.7397 31.4000	\$29.3470 29.8339 31.5000	\$28.5895 29.9017 31.5000	\$28.7260 29.3792 31.5000	\$23.1340 23.3597 26.0000	\$22.8398 23.0598 25.7000
2.0000 2.0000 2.0000	2.0000 2.0000 2.0000	2.0000 2.0000 2.0000	2.0000 2.0000 2.0000	2.0000 2.0000 2.0000	2.0000 2.0000 2.0000
12.6607 12.8153 13.3200	11.8688 12.4535 13.4200	11.7227 12.5880 13.5200	11.7227 12.5762 13.5200	10.9754 11.9846 13.5200	10.9899 12.0433 13.5200
6.6597 6.8911 7.2800	5.9676 6.2519 6.7800	6.2900 6.5596 6.7800	6.2900 6.5552 6.7800	6.2880 6.5067 6.7800	4.7783 5.1811 5.8800

City of Independence, Ohio
Property Tax Levies And Collections
Last Ten Years

Year	Total Tax Levy	Current Tax Collections	Percent of Current Tax Collections To Tax Levy	Delinquent Tax Collections
2012	\$2,959,604	\$2,046,598	69.15%	\$79,049
2011	3,169,416	2,125,508	67.06	229,454
2010	3,266,698	2,180,929	66.76	193,620
2009	2,522,246	2,352,209	93.26	235,807
2008	2,734,423	2,076,969	75.96	32,721
2007	2,561,471	2,091,154	81.64	86,313
2006	1,588,927	1,514,941	95.34	66,720
2005	1,760,464	1,601,235	90.96	36,810
2004	1,670,293	1,432,500	85.76	64,124
2003	1,779,784	1,563,809	87.87	65,300

Source: Cuyahoga County, Ohio; County Fiscal Officer

Note: We are aware of the requirement to report delinquent tax collections by levy year rather than by collection year. However, the County is unable to provide delinquent collections by levy year. We are looking at options to improve this presentation.

- (1) State reimbursement of rollback and homestead exemptions are included.
- (2) Penalties and interest are included, since by Ohio law they become part of the tax obligation as assessment occurs.

<u>Total Tax Collections (1)</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes</u>	<u>Percentage of Delinquent Taxes to Total Tax Levy</u>
\$2,125,647	71.82%	\$837,915	28.31%
2,354,962	74.30	808,231	25.50
2,374,549	72.69	939,371	28.76
2,588,016	102.61	1,145,874	45.43
2,109,690	77.15	668,816	24.46
2,177,467	85.01	420,910	16.43
1,581,661	99.54	237,114	14.92
1,638,045	93.05	223,009	12.67
1,496,624	89.60	173,430	10.38
1,629,109	91.53	159,400	8.96

City of Independence, Ohio
Principal Real Property Taxpayers
 2012 and 2007 (1)

Taxpayer	2012	
	Real Property Assessed Valuation	Percentage of Total Assessed Valuation
Duke Realty Ohio	\$22,462,380	5.11 %
Cleveland Clinic	13,708,040	3.12
Investors Warranty of America Inc.	12,938,500	2.94
Cleveland-Cuyahoga County Port Authority	12,075,000	2.75
Rockside-77 Properties LTD	11,365,520	2.59
Cleveland Electric Illuminating Company	10,166,360	2.31
City of Independence	7,483,020	1.70
AP/AM Independence Suites	6,064,450	1.38
JDI Oak Tree Holdings LLC	5,982,410	1.36
Independence Research	5,474,080	1.25
Total	\$107,719,760	24.50 %
Total Real Property Assessed Valuation	\$439,613,450	

Taxpayer	2007	
	Real Property Assessed Valuation	Percentage of Total Assessed Valuation
Duke Realty Ohio	\$27,306,600	5.62 %
Cleveland Clinic	12,940,730	2.66
Rockside-77 Properties LTD	12,822,680	2.64
Cleveland Electric Illuminating Company	7,810,650	1.61
Summit Office Park LTD	7,750,160	1.60
JDI Oak Tree Holdings LLC	7,390,290	1.52
AP/AM Independence Suites	7,012,010	1.45
Jagi Cleveland	6,865,090	1.41
Independence Research	6,475,010	1.33
6055 Properties LTD	5,754,740	1.19
Total	\$102,127,960	21.03 %
Total Real Property Assessed Valuation	\$485,689,320	

Source: Cuyahoga County Fiscal Officer

(1) Information prior to 2007 is not available.

City of Independence, Ohio
Income Tax Revenue Base and Collections
Last Ten Years

<u>Tax Year</u>	<u>Tax Rate (1)</u>	<u>Total Tax Collected (2)</u>	<u>Taxes from Withholding</u>	<u>Percentage of Taxes from Withholding</u>	<u>Taxes From Net Profits</u>	<u>Percentage of Taxes from Net Profits</u>	<u>Taxes From Individuals</u>	<u>Percentage of Taxes from Individuals</u>
2012	2.00%	\$25,743,991	\$21,957,050	85.29%	\$2,777,777	10.79%	\$1,009,164	3.92%
2011	2.00	24,050,310	21,013,688	87.37	2,119,560	8.82	917,062	3.81
2010	2.00	21,595,445	18,809,365	87.10	1,987,395	9.20	798,685	3.70
2009	2.00	23,982,611	20,306,077	84.67	2,724,424	11.36	952,110	3.97
2008	2.00	22,488,246	19,307,516	85.86	2,228,793	9.91	951,937	4.23
2007	2.00	23,387,075	20,393,529	87.20	2,128,224	9.10	865,322	3.70
2006	2.00	21,378,552	18,218,802	85.22	2,261,851	10.58	897,899	4.20
2005	2.00	19,588,902	16,901,304	86.28	1,951,055	9.96	736,543	3.76
2004	2.00	19,452,865	16,674,996	85.72	2,089,238	10.74	688,631	3.54
2003	2.00	18,142,284	15,807,372	87.13	1,542,094	8.50	792,818	4.37

(1) The City's basic income tax rate may only be increased by a majority vote of the City's residents.

(2) Accrual basis.

City of Independence, Ohio
Income Tax Filers by Income Level
Tax Years 2011 and 2008

Tax Year 2011 (1)				
Income Range	Number of Filers	Percent of Filers	Taxable Income	Percent of Taxable Income
Over \$100,000	698	25.62 %	\$130,577,048	64.23 %
75,001-100,000	269	9.88	23,354,750	11.49
50,001-75,000	396	14.54	24,457,111	12.03
25,000-50,000	448	16.44	16,612,551	8.17
Under 25,000	913	33.52	8,291,044	4.08
Total	<u>2,724</u>	<u>100.00 %</u>	<u>\$203,292,504</u>	<u>100.00 %</u>

Tax Year 2008 (2)				
Income Range	Number of Filers	Percent of Filers	Taxable Income	Percent of Taxable Income
Over \$100,000	636	23.11 %	\$120,267,597	59.96 %
75,001-100,000	340	12.35	29,641,349	14.78
50,001-75,000	395	14.35	24,440,333	12.18
25,000-50,000	495	17.99	18,105,508	9.03
Under 25,000	886	32.20	8,130,529	4.05
Total	<u>2,752</u>	<u>100.00 %</u>	<u>\$200,585,316</u>	<u>100.00 %</u>

Sources: Regional Income Tax data - certain amounts may be estimates

(1) As of December 31, 2012, 2012 information has not been compiled.

(2) Information prior to 2008 is not available.

Note: Number of filers does not equal total taxpayers due to taxpayers paying City taxes through employer withholding only without having a filing requirement.

City of Independence, Ohio
*Ratio of General Obligation Bonded Debt to Estimated Actual
 Values of Taxable Property and Bonded Debt Per Capita
 Last Ten Years*

Year	Gross Bonded Debt	Estimated Actual Values of Taxable Property	Ratio of Bonded Debt to Estimated Actual Value of Taxable Property	Bonded Debt per Capita
2012	\$22,706,384	\$1,274,330,506	1.78%	\$3,183
2011	22,947,006	1,344,052,960	1.71	3,217
2010	23,983,905	1,349,084,746	1.78	3,362
2009	25,439,723	1,528,479,613	1.66	3,579
2008	26,840,541	1,686,421,581	1.59	3,776
2007	28,216,359	1,577,521,158	1.79	3,969
2006	29,567,177	1,514,137,989	1.95	4,159
2005	30,797,995	1,551,146,008	1.99	4,332
2004	26,011,213	1,557,981,834	1.67	3,659
2003	27,136,353	1,495,207,536	1.81	3,817

Note: Population is presented on page S25.

City of Independence, Ohio
*Ratio of Outstanding Debt to
Total Personal Income and Debt Per Capita
Last Ten Years*

Fiscal Year	General Obligation Bonds	Special Assessment Bonds	OPWC Loans	OWDA Loans	Notes Payable
2012	\$22,706,384	\$0	\$229,526	\$42,676	\$4,510,800
2011	22,947,006	0	241,918	4,785	7,127,524
2010	23,983,905	522,222	23,685	0	6,614,681
2009	25,439,723	554,074	30,452	0	5,901,889
2008	26,840,541	585,926	37,219	0	7,100,000
2007	28,216,359	617,778	43,986	0	7,700,000
2006	29,567,177	649,630	50,753	0	8,300,000
2005	30,797,995	681,482	57,520	0	8,900,000
2004	26,011,213	708,334	64,287	0	9,400,000
2003	27,136,353	735,186	71,054	0	10,400,000

Note: Population and Personal Income data are presented on page S25.

Capital Leases	Total	Percentage of Personal Income	Per Capita
\$0	\$27,489,386	11.70 %	\$3,854
0	30,321,233	13.57	4,251
0	31,144,493	13.94	4,366
0	31,926,138	11.20	4,491
0	34,563,686	12.13	4,862
0	36,578,123	12.83	5,145
19,042	38,586,602	13.54	5,428
46,144	40,483,141	14.34	5,695
52,514	36,236,348	12.91	5,097
5,871	38,348,464	13.66	5,394

City of Independence, Ohio

Legal Debt Margin

Last Ten Years

	2012	2011	2010	2009
Total Assessed Property Value	<u>\$455,719,670</u>	<u>\$479,219,710</u>	<u>\$480,541,670</u>	<u>\$501,063,010</u>
Overall Legal Debt Limit (10 ½ % of Assessed Valuation)	<u>\$47,850,565</u>	<u>\$50,318,070</u>	<u>\$50,456,875</u>	<u>\$52,611,616</u>
Debt Outstanding:				
General Obligation Bonds	21,720,000	21,895,000	23,235,000	24,640,000
Special Assessment Bonds	0	0	500,000	530,000
OPWC Loans	229,526	241,918	23,685	30,452
Notes	<u>6,800,000</u>	<u>7,100,000</u>	<u>7,700,000</u>	<u>7,100,000</u>
Total Gross Indebtedness	28,749,526	29,236,918	31,458,685	32,300,452
Less:				
General Obligation Bonds	(4,785,000)	(4,960,000)	(12,255,000)	(12,675,000)
Special Assessment Bonds	<u>0</u>	<u>0</u>	<u>(500,000)</u>	<u>(530,000)</u>
Total Net Debt Applicable to Debt Limit	<u>23,964,526</u>	<u>24,276,918</u>	<u>18,703,685</u>	<u>19,095,452</u>
Legal Debt Margin Within 10 ½ % Limitations	<u>\$23,886,039</u>	<u>\$26,041,152</u>	<u>\$31,753,190</u>	<u>\$33,516,164</u>
Legal Debt Margin as a Percentage of the Debt Limit	49.92%	51.75%	62.93%	63.70%
Unvoted Debt Limitation (5 ½ % of Assessed Valuation)	<u>\$25,064,582</u>	<u>\$26,357,084</u>	<u>\$26,429,792</u>	<u>\$27,558,466</u>
Gross Indebtedness	28,749,526	29,236,918	31,458,685	32,300,452
Less:				
General Obligation Bonds	(4,785,000)	(4,960,000)	(12,255,000)	(12,675,000)
Special Assessment Bonds	<u>0</u>	<u>0</u>	<u>(500,000)</u>	<u>(530,000)</u>
Net Debt Within 5 ½ % Limitations	<u>23,964,526</u>	<u>24,276,918</u>	<u>18,703,685</u>	<u>19,095,452</u>
Unvoted Legal Debt Margin Within 5 ½ % Limitations	<u>\$1,100,056</u>	<u>\$2,080,166</u>	<u>\$7,726,107</u>	<u>\$8,463,014</u>
Unvoted legal Debt Margin as a Percentage of the Unvoted Debt Limitation	4.39%	7.89%	29.23%	30.71%

Source: City Financial Records

2008	2007	2006	2005	2004	2003
<u>\$538,839,692</u>	<u>\$536,959,685</u>	<u>\$525,751,339</u>	<u>\$540,991,156</u>	<u>\$538,651,635</u>	<u>\$515,838,050</u>
<u>\$56,578,168</u>	<u>\$56,380,767</u>	<u>\$55,203,891</u>	<u>\$56,804,071</u>	<u>\$56,558,422</u>	<u>\$54,162,995</u>
25,990,000	27,315,000	28,615,000	29,795,000	25,105,000	26,185,000
560,000	590,000	620,000	650,000	675,000	700,000
37,219	43,986	50,753	57,520	64,287	71,054
<u>7,700,000</u>	<u>8,300,000</u>	<u>8,900,000</u>	<u>9,400,000</u>	<u>9,900,000</u>	<u>10,400,000</u>
34,287,219	36,248,986	38,185,753	39,902,520	35,744,287	37,356,054
(13,075,000)	(13,470,000)	(13,860,000)	(14,145,000)	(8,575,000)	(23,800,000)
<u>(560,000)</u>	<u>(590,000)</u>	<u>(620,000)</u>	<u>(650,000)</u>	<u>(675,000)</u>	<u>(700,000)</u>
<u>20,652,219</u>	<u>22,188,986</u>	<u>23,705,753</u>	<u>25,107,520</u>	<u>26,494,287</u>	<u>12,856,054</u>
<u>\$35,925,949</u>	<u>\$34,191,781</u>	<u>\$31,498,138</u>	<u>\$31,696,551</u>	<u>\$30,064,135</u>	<u>\$41,306,941</u>
63.50%	60.64%	57.06%	55.80%	53.16%	76.26%
<u>\$29,636,183</u>	<u>\$29,532,783</u>	<u>\$28,916,324</u>	<u>\$29,754,514</u>	<u>\$29,625,840</u>	<u>\$28,371,093</u>
34,287,219	36,248,986	38,185,753	39,902,520	35,744,287	37,356,054
(13,075,000)	(13,470,000)	(13,860,000)	(14,145,000)	(8,575,000)	(23,800,000)
<u>(560,000)</u>	<u>(590,000)</u>	<u>(620,000)</u>	<u>(650,000)</u>	<u>(675,000)</u>	<u>(700,000)</u>
<u>20,652,219</u>	<u>22,188,986</u>	<u>23,705,753</u>	<u>25,107,520</u>	<u>26,494,287</u>	<u>12,856,054</u>
<u>\$8,983,964</u>	<u>\$7,343,797</u>	<u>\$5,210,571</u>	<u>\$4,646,994</u>	<u>\$3,131,553</u>	<u>\$15,515,039</u>
30.31%	24.87%	18.02%	15.62%	10.57%	54.69%

City of Independence, Ohio
*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2012*

	Debt Attributable to Governmental Activities	Percentage Applicable to City (1)	Amount of Direct and Overlapping Debt
Direct Debt:			
City of Independence			
General Obligation Bonds	\$22,706,384	100.00 %	\$22,706,384
OWDA Loans	42,676	100.00	42,676
OPWC Loans	229,526	100.00	229,526
Notes Payable	<u>4,510,800</u>	100.00	<u>4,510,800</u>
<i>Total Direct Debt</i>	<u>27,489,386</u>		<u>27,489,386</u>
Overlapping Debt:			
Independence Local School District Bonds	14,586,709	100.00	14,586,709
Cuyahoga County			
General Obligation Bonds	352,896,785	1.61	5,681,638
Revenue Bonds	441,559,586	1.61	7,109,109
Loans	7,269,902	1.61	117,045
Notes Payable	7,200,000	1.61	115,920
Greater Cleveland Regional Transit Authority	<u>151,916,808</u>	1.61	<u>2,445,861</u>
<i>Total Overlapping Debt</i>	<u>975,429,790</u>		<u>30,056,283</u>
<i>Total Direct and Overlapping Debt</i>	<u><u>\$1,002,919,176</u></u>		<u><u>\$57,545,669</u></u>

Source: Office of the Fiscal Officer, Cuyahoga County, Ohio

(1) Percentages were determined by dividing the assessed valuation of the overlapping government located within the boundaries of the City by the total assessed valuation of the government. The valuations used were for the 2011 collection year.

City of Independence, Ohio
Demographic and Economic Statistics
Last Ten Years

Year	Population (1)	Total Personal Income (2)	Personal Income Per Capita (2)	Median Family Income (1)	Unemployment Rate (3)		City Square Miles (4)
					Cuyahoga County	State of Ohio	
2012	7,083	\$234,957,276	\$33,172	\$84,417	6.6%	6.8%	9.73
2011	7,133	231,387,387	32,439	73,403	7.1	8.7	9.73
2010	7,133	223,448,358	31,326	69,727	8.6	10.1	9.73
2009	7,109	285,000,000	40,090	65,059	9.0	10.2	9.73
2008	7,109	285,000,000	40,090	65,059	7.1	6.5	9.73
2007	7,109	285,000,000	40,090	65,059	6.1	5.6	9.73
2006	7,109	285,000,000	40,090	65,059	5.5	5.6	9.73
2005	7,109	282,239,200	39,702	65,059	5.9	5.9	9.73
2004	7,109	280,698,500	39,485	65,059	6.3	5.9	9.73
2003	7,109	280,812,100	39,501	65,059	6.2	6.1	9.73

(1) Years 2003-2009 - U.S. Census Bureau 2000; 2010-2011 - U.S. Census Bureau 2010; 2012 City estimate

(2) City estimates

(3) Ohio Bureau of Employment Services; U.S. Department of Labor, Bureau of Labor Statistics

(4) City Records

City of Independence, Ohio

Principal Employers

2012 and 2008

2012			
Employer	Nature of Activity	Employees	Percentage of Total City Employment
Cleveland Clinic Foundation	Health Care	2,136	11.74 %
City of Independence	Municipality	477	2.62
L D Kichler Co	Lighting Products	416	2.29
Farmers Group Incorporated	Insurance Company	300	1.65
Sirva Incorporated	Moving Company	267	1.47
Travelers Indemnity Company	Insurance Company	237	1.30
Dayton Heidelberg Distributing	Distribution	236	1.30
ADP Incorporated	Payroll Processing	220	1.21
Nations Lending Corporation	Mortgage Company	178	0.98
Proficio Mortgage Ventures LLC	Mortgage Company	177	0.97
Total		<u>4,644</u>	<u>25.52 %</u>
Total Employment within the City		<u>18,196</u>	

2008			
Employer	Nature of Activity	Employees	Percentage of Total City Employment
Cleveland Clinic Foundation	Health Care	1,885	9.41 %
City of Independence	Municipality	479	2.39
L D Kichler Co	Lighting Products	445	2.22
Avtron Manufacturing Incorporated	Manufacturing	335	1.67
Farmers Underwriters Association	Insurance	271	1.35
Travelers Indemnity Company	Insurance Company	266	1.33
ADP Incorporated	Payroll Processing	251	1.25
Cellco Partnership	Communication	190	0.95
Ferro Corporation & Subsidiary	Manufacturing	160	0.80
Novastar	Mortgage Company	146	0.73
Honeywell International	Manufacturing	137	0.68
Total		<u>4,565</u>	<u>22.79 %</u>
Total Employment within the City		<u>20,028</u>	

Source: Regional Income Tax Agency and a survey conducted by the City.

(1) Information prior to 2008 is not available

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City of Independence, Ohio
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Years

Function/Program	2012	2011	2010	2009
General Government				
Council	5.00	5.00	5.00	5.00
Mayor	2.50	2.50	2.50	2.50
Finance	3.50	3.50	4.00	4.00
Purchasing	1.50	1.50	1.00	1.00
Mayor's Court	3.00	3.00	3.00	3.00
Technology	2.00	1.00	1.00	1.00
Engineering	4.00	4.00	3.00	3.00
Administrative Support	4.50	4.00	4.00	4.00
Security of Persons and Property				
Police	48.00	50.00	51.00	51.00
Fire	26.50	28.00	28.00	28.00
Leisure Time Activities				
Recreation Center	45.00	49.00	42.50	42.50
Community Services	15.00	16.00	23.50	23.50
Community Environment				
Building Inspection	5.50	3.00	3.00	3.00
Transportation				
Service and Technical Service	45.00	50.50	51.00	51.00
Totals:	<u>211.00</u>	<u>221.00</u>	<u>222.50</u>	<u>222.50</u>

Method: Using 1.0 for each full-time employee and 0.50 for each part-time and seasonal employee as of December 31.

Source: City Records

2008	2007	2006	2005	2004	2003
5.50	5.50	5.50	5.50	5.50	5.00
2.50	2.50	2.50	2.50	3.00	3.00
4.00	3.50	3.50	3.50	4.50	5.00
1.00	1.50	1.50	1.50	1.50	1.50
3.00	3.50	3.50	3.50	3.00	3.00
1.00	1.00	1.00	1.00	1.00	1.00
1.50	0.50	0.50	0.50	0.50	0.50
4.00	3.50	3.50	3.50	3.50	3.50
53.50	56.50	54.00	53.00	57.00	53.50
27.00	28.00	28.00	27.50	27.50	29.00
47.00	43.00	40.50	35.00	34.50	35.00
22.00	22.50	21.00	20.50	17.50	17.50
5.00	6.00	6.00	6.00	5.50	5.50
47.00	50.00	50.00	51.00	49.00	52.50
224.00	227.50	221.00	214.50	213.50	215.50

City of Independence, Ohio
Capital Assets Statistics by Function/Program
Last Ten Years

Function/Program	2012	2011	2010	2009
General Government				
Square Footage of Building (1)	35,200	35,200	35,200	35,200
Building Department Vehicles	4	3	3	3
Other Department Vehicles	5	8	0	0
Police				
Stations	1	1	1	1
Square Footage of Building (1)	35,200	35,200	35,200	35,200
Vehicles	39	37	37	44
Fire				
Stations	1	1	1	1
Square Footage of Building	19,350	19,350	19,350	19,350
Vehicles	13	12	11	12
Service Department				
Streets (miles)	52	52	52	52
Vehicles	53	56	55	60
Recreation				
Recreation Centers	2	2	2	2
New Recreation Center Square Footage (2)	82,000	82,000	82,000	82,000
Old Recreation Facility Square Footage	7,570	7,570	7,570	7,570
Number of Parks	1	1	1	1
Number of Baseball Diamonds	6	6	6	6
Number of Playgrounds	2	2	2	2
Number of Tennis Courts	5	5	5	5
Number of Full Sized Soccer Fields	3	3	3	3
Vehicles	3	3	3	4
Community Services				
Community Services Center Square Footage (2)	82,000	82,000	82,000	82,000
Vehicles	7	6	6	9

(1) The City Hall and Police Station reside in the same building

(2) The Recreation Center and the Community Services Center reside in the same building

Source: City Records

2008	2007	2006	2005	2004	2003
35,200	35,200	35,200	35,200	35,200	35,200
3	3	3	3	3	3
0	0	0	1	1	1
1	1	1	1	1	1
35,200	35,200	35,200	35,200	35,200	35,200
45	44	44	40	40	40
1	1	1	1	1	1
19,350	19,350	19,350	19,350	19,350	19,350
12	12	12	13	13	13
52	52	52	52	52	52
62	59	59	66	66	66
2	2	2	2	2	2
82,000	82,000	82,000	82,000	82,000	82,000
7,570	7,570	7,570	7,570	7,570	7,570
1	1	1	1	1	1
6	6	6	6	6	6
2	2	2	2	2	2
5	5	5	5	5	5
3	3	3	3	3	3
4	3	3	1	1	1
82,000	82,000	82,000	82,000	82,000	82,000
9	6	6	7	7	7

City of Independence, Ohio
Operating Indicators by Function/Program
Last Ten Years

Function/Program	2012	2011	2010	2009
General Government				
Law Expenditures (in thousands)	\$250	\$175	\$243	\$248
Engineering Expenditures (in thousands)	244	73	71	71
Finance Expenditures (in thousands)	388	362	366	445
Mayor's Office Expenditures (in thousands)	510	564	544	530
Council Expenditures (in thousands)	260	238	242	263
Security of Persons and Property				
Police Expenditures (in thousands)	\$4,495	\$4,584	\$4,749	\$4,839
Total Arrests	2,257	5,337	5,337	4,811
Part One Offenses	222	166	166	197
OVI Arrests	65	83	83	102
Prisoners	353	543	543	572
Motor Vehicle Accidents	578	407	407	490
Calls for Service	22,434	28,220	28,220	30,022
Incidents per Citizen	3.1600	3.9600	3.9600	4.2900
Cost per Citizen	\$634.62	\$642.65	\$665.78	\$680.69
Fire Expenditures (in thousands)	\$2,796	\$2,798	\$2,878	\$2,978
Emergency Responses	1,714	1,503	1,607	1,607
Fire Safety Inspections	601	503	502	502
Fire Protection Systems Inspected	237	53	187	187
Building Fire Protection Plans Reviewed	67	68	22	22
Percentage of Business Inspected	96%	74%	87%	87%
Number of Community Programs	14	14	12	12
Emergency Responses per Citizen	0.2420	0.2116	0.2300	0.2300
Cost per Citizen	\$394.75	\$392.26	\$409.00	\$418.91
Fire Safety Education - Business	6	6	29	29
Street Lights Expenditures (in thousands)	\$236	\$184	\$158	\$190

2008	2007	2006	2005	2004	2003
\$217	\$282	\$274	\$264	\$184	\$193
70	287	294	227	364	295
425	405	397	386	394	406
460	454	431	414	412	429
312	306	287	285	281	267
\$4,782	\$4,618	\$4,411	\$4,583	\$4,381	\$4,378
4,326	3,453	4,377	4,895	4,605	4,374
248	248	275	287	335	310
108	103	94	112	146	116
681	813	780	897	851	692
572	558	544	634	646	555
31,104	26,491	29,001	32,889	36,811	38,024
4.3753	3.7264	4.0795	4.6264	5.1781	5.3487
\$672.67	\$649.60	\$620.48	\$644.68	\$616.26	\$615.84
\$2,916	\$2,800	\$2,702	\$2,592	\$2,458	\$2,386
1,637	1,530	1,482	1,433	1,258	1,104
575	590	604	576	619	612
239	258	251	242	268	232
11	10	18	16	14	21
94%	100%	100%	100%	100%	92%
13	13	12	11	10	10
0.2303	0.2152	0.2085	0.2016	0.1770	0.1553
\$410.18	\$393.87	\$380.08	\$364.61	\$345.76	\$335.63
46	48	44	48	59	42
\$190	\$183	\$203	\$193	\$178	\$168

(continued)

City of Independence, Ohio
Operating Indicators by Function/Program (continued)
Last Ten Years

Function/Program	2012	2011	2010	2009
Leisure Time Activities				
Recreational Expenditures (in thousands)	\$1,969	\$1,927	\$1,911	\$1,874
Civic Center Expenditures (in thousands)	828	825	788	859
Totals	\$2,797	\$2,752	\$2,699	\$2,733
Cost per Citizen	\$394.89	\$385.81	\$378.38	\$384.44
Civic Center Square Feet	82,000	82,000	82,000	82,000
Square Feet per Citizen	11.58	11.50	11.50	12.00
Total Recreational Revenue (in thousands)	\$631	\$663	\$695	\$645
Civic Center Members	2,740	2,840	1,676	2,445
Total Participations	170,399	175,750	98,362	2,454
Participations of Members Over Age 60	21,236	19,798	467	678
Community Environment				
Building Department Expenditures (in thousands)	\$464	\$564	\$523	\$487
Cost per Citizen	\$65.51	\$79.07	\$73.32	\$68.50
Building Permits - Residential	61	48	86	58
Dollar Value of Permits (in thousands)	\$25	\$23	\$55	\$31
Building Permits - Commercial	47	56	53	45
Dollar Value of Permits (in thousands)	\$80	\$82	\$121	\$38
Transportation				
Service Department Expenditures (in thousands)	\$3,198	\$3,239	\$3,617	\$947
Street Construction Maintenance and Repair Expenditures (in thousands)	\$547	\$538	\$1,088	\$2,652
Snow and Ice Removal Expenditures (in thousands)	\$237	\$346	\$431	\$362
Leaves, grass, chipped material (in cubic yards)	12,428	11,600	11,600	11,000

Source: City Records

2008	2007	2006	2005	2004	2003
\$1,584	\$1,585	\$1,553	\$1,580	\$1,398	\$1,358
1,076	1,098	944	1,099	1,070	1,024
\$2,660	\$2,683	\$2,497	\$2,679	\$2,468	\$2,382
\$374.17	\$377.41	\$351.24	\$376.85	\$347.17	\$335.07
82,000	82,000	82,000	82,000	82,000	82,000
11.53	11.53	11.53	11.53	11.53	11.53
\$99	\$93	\$95	\$101	\$106	\$117
3,798	2,563	2,586	2,881	2,616	2,683
83,636	93,227	94,673	100,238	93,675	91,379
18,790	18,869	19,790	19,626	19,856	19,452
\$497	\$510	\$489	\$455	\$455	\$424
\$69.91	\$71.74	\$68.79	\$64.00	\$64.00	\$59.64
68	91	97	92	84	106
\$20	\$33	\$45	\$48	\$45	\$54
91	62	72	62	81	49
\$33	\$71	\$171	\$86	\$127	\$67
\$3,975	\$2,970	\$2,732	\$3,015	\$2,834	\$2,907
\$1,835	\$1,490	\$1,374	\$1,517	\$1,180	\$1,244
\$376	\$289	\$148	\$357	\$267	\$333
10,000	14,428	12,744	13,520	10,216	7,932

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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the City Council
Independence, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Independence, Ohio (the "City"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2013, wherein we noted that the City adopted Governmental Accounting Standards Board (GASB) Statement No. 63 and Statement No. 65 as disclosed in Note 3.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members of the City Council
Independence, Ohio

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cini & Paricki, Inc.

Cleveland, Ohio
June 26, 2013



Dave Yost • Auditor of State

CITY OF INDEPENDENCE

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 29, 2013**