



Dave Yost • Auditor of State

**CITY OF STREETSBORO
PORTAGE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Honorable Mayor and City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio (the City), as of and for the year ended December 31, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio, as of December 31, 2012, and the respective changes in financial position where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the City adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.



Dave Yost
Auditor of State

Columbus, Ohio

July 26, 2013

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

The discussion and analysis of the City of Streetsboro'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 information presented here in conjunction with the additional information contained in the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Financial highlights for 2012 are as follows:

- The City was able replace the prior year notes with new notes. These notes have an interest rate of 1.15 percent.
- Total governmental capital assets increased due to current year additions of capital assets in the form of vehicles, equipment, land and improvements and infrastructure. This was slightly offset by an additional year of depreciation expense being taken.
- The business-type activities capital assets decreased due to an additional year of depreciation expense, which was slightly offset by additions to capital assets, such as water hydrants, a new truck, construction of an elevated water tank and the State Route 43 culvert project.

Using this Annual Financial Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's financial and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting on the City of Streetsboro as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position presents information, excluding fiduciary funds, on all the City of Streetsboro's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in tax laws and the condition of capital assets should also be considered. Both the Statement of Net Position and the Statement of Activities use the accrual basis of accounting that is similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The Statement of Net Position and the Statement of Activities are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position
- Program Revenues and Expenses
- General Revenues
- Net Position Beginning of Year and Year's End

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- ◆ Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.
- ◆ Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water operations are reported here.

Reporting on the Most Significant Funds of the City of Streetsboro

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, the general obligation bond retirement fund and the general capital improvements capital projects fund.

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

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

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

The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's major enterprise fund is the water fund.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City has no internal service funds.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary fund is an agency fund.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The City of Streetsboro as a Whole

The Statement of Net Position provides an overall view of the City. Table 1 shows a summary of the City's net position for 2012 as they compare to 2011.

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

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and Other Assets	\$11,594,599	\$10,688,828	\$4,011,376	\$3,700,115	\$15,605,975	\$14,388,943
Capital Assets, Net	14,916,549	13,736,744	6,066,704	6,246,381	20,983,253	19,983,125
<i>Total Assets</i>	<u>26,511,148</u>	<u>24,425,572</u>	<u>10,078,080</u>	<u>9,946,496</u>	<u>36,589,228</u>	<u>34,372,068</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding	51,479	58,922	0	0	51,479	58,922
Liabilities						
Current Liabilities	968,862	625,160	140,080	204,973	1,108,942	830,133
Long-term Liabilities						
Due within one Year	828,026	5,194,558	15,172	23,467	843,198	5,218,025
Due in More than one Year	7,589,698	4,585,970	463,396	492,698	8,053,094	5,078,668
<i>Total Liabilities</i>	<u>9,386,586</u>	<u>10,405,688</u>	<u>618,648</u>	<u>721,138</u>	<u>10,005,234</u>	<u>11,126,826</u>
Deferred Inflows of Resources						
Payments in Lieu of Taxes	118,450	0	0	0	118,450	0
Property Taxes	1,124,619	1,168,329	0	0	1,124,619	1,168,329
<i>Total Deferred Inflows of Resources</i>	<u>1,243,069</u>	<u>1,168,329</u>	<u>0</u>	<u>0</u>	<u>1,243,069</u>	<u>1,168,329</u>
Net Position						
Net Investment in Capital Assets	12,492,406	10,208,014	5,593,851	5,757,632	18,086,257	15,965,646
Restricted for:						
Capital Projects	1,113	1,363	0	0	1,113	1,363
Debt Service	0	637,542	0	0	0	637,542
Other Purposes	1,883,687	1,520,957	0	0	1,883,687	1,520,957
Unrestricted	1,555,766	542,601	3,865,581	3,467,726	5,421,347	4,010,327
<i>Total Net Position</i>	<u>\$15,932,972</u>	<u>\$12,910,477</u>	<u>\$9,459,432</u>	<u>\$9,225,358</u>	<u>\$25,392,404</u>	<u>\$22,135,835</u>

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the position of the City has increased as evidenced by the increase in governmental net position. Management continues to diligently plan expenses, staying carefully within the City's revenues in an effort to maintain excellent levels of service within the constraints of the budget.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2012 and 2011.

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

(Table 2)
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2011	2010
Program Revenues						
Charges for Services and Assessments	\$1,411,764	\$1,513,987	\$2,916,445	\$3,527,188	\$4,328,209	\$5,041,175
Operating Grants and Contributions	1,538,132	867,615	0	0	1,538,132	867,615
Capital Grants and Contributions	0	763,600	0	0	0	763,600
<i>Total Program Revenues</i>	<u>2,949,896</u>	<u>3,145,202</u>	<u>2,916,445</u>	<u>3,527,188</u>	<u>5,866,341</u>	<u>6,672,390</u>
General Revenues						
Property and Other Local Taxes	1,776,737	1,653,671	0	0	1,776,737	1,653,671
Income Taxes	10,887,836	9,365,613	0	0	10,887,836	9,365,613
Grants and Entitlements	437,805	497,143	0	0	437,805	497,143
Payment in Lieu of Taxes	106,488	0	0	0	106,488	0
Interest	21,447	8,804	1,171	1,173	22,618	9,977
Miscellaneous	562,160	71,582	9,628	12,065	571,788	83,647
<i>Total General Revenues</i>	<u>13,792,473</u>	<u>11,596,813</u>	<u>10,799</u>	<u>13,238</u>	<u>13,803,272</u>	<u>11,610,051</u>
<i>Total Revenues</i>	<u>16,742,369</u>	<u>14,742,015</u>	<u>2,927,244</u>	<u>3,540,426</u>	<u>19,669,613</u>	<u>18,282,441</u>
Program Expenses						
General Government	3,877,863	3,034,694	0	0	3,877,863	3,034,694
Public Safety	6,043,319	6,220,906	0	0	6,043,319	6,220,906
Public Health Services	47,001	34,015	0	0	47,001	34,015
Transportation	1,203,101	1,270,684	0	0	1,203,101	1,270,684
Community Development	728,579	776,292	0	0	728,579	776,292
Basic Utility Services	997,144	963,846	0	0	997,144	963,846
Leisure Time Activities	538,262	589,581	0	0	538,262	589,581
Economic Development	0	300	0	0	0	300
Interest and Fiscal Charges	262,844	165,028	0	0	262,844	165,028
Water	0	0	2,714,931	2,480,189	2,714,931	2,480,189
<i>Total Program Expenses</i>	<u>13,698,113</u>	<u>13,055,346</u>	<u>2,714,931</u>	<u>2,480,189</u>	<u>16,413,044</u>	<u>15,535,535</u>
Transfers	(21,761)	(21,679)	21,761	21,679	0	0
<i>Change in Net Position</i>	<u>3,022,495</u>	<u>1,664,990</u>	<u>234,074</u>	<u>1,081,916</u>	<u>3,256,569</u>	<u>2,746,906</u>
<i>Net Position Beginning of Year</i>	<u>12,910,477</u>	<u>11,245,487</u>	<u>9,225,358</u>	<u>8,143,442</u>	<u>22,135,835</u>	<u>19,388,929</u>
<i>Net Position End of Year</i>	<u>\$15,932,972</u>	<u>\$12,910,477</u>	<u>\$9,459,432</u>	<u>\$9,225,358</u>	<u>\$25,392,404</u>	<u>\$22,135,835</u>

Program revenues decreased in 2012 due to decreases in charges for services and capital grants being received. General revenues increased mainly due to increases in income tax and miscellaneous revenues. The increase in income tax can be contributed to an increase in jobs within the City. The increase in miscellaneous revenue is due to various other revenues collected. Total program expenses increased due to the increased costs of general governmental services due to wage increases and interest and fiscal charges related to the issuance of debt.

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

Governmental Activities

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. The revenue collected from the income tax, less funds necessary to pay the administrative fees for RITA and to cover refunds, are receipted into the following funds: 78 percent went to the general fund, 20 percent went to the general capital improvement fund and 2 percent went to the general obligation bond retirement fund.

General government expenses increased over 2011 due to wage increases and interest and fiscal charges increased due to the issuances of debt.

The transportation department had decreases in costs from 2011 due to a mild winter season decreasing monies spent on supplies.

Business-Type Activities

The City operates one business-type activity, the water treatment facility. This activity generates revenues of \$2,927,244. Water expenses for 2012 amounted to \$2,714,931. For 2012, 4,263 water customers were serviced. Approximately 40 million gallons were billed and processed on a monthly basis.

The City's Funds

Information about the City's governmental funds begins on page 16. The funds are accounted for using the modified accrual method of accounting. The general fund concluded the year with an increase in fund balance due to revenues exceeding expenditures as a result of loan proceeds as well as managements close monitoring. The bond retirement fund ended the year with a decrease in fund balance due to an increase in notes payable. The general capital improvement fund ended the year with a decrease in fund balance due to additional capital outlay expenditures.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. If expenses were to exceed revenue and dramatically affect net position, the City has the power to increase revenue through rate increases. The net position in the water fund increased as a result of the City's user charges being sufficient to offset expenses.

General Fund Budgeting Highlights

Budgeting for the operations of the City is done as prescribed by Ohio Revised Code. Essentially the budget is the City's appropriations, which is restricted by the amounts of the anticipated revenues certified by the Budget Commission in accordance with Ohio Revised Code. In 2012, actual revenues for the general fund were less than final estimated revenues due in large part to less property and income taxes collected than actually expected. This is attributed to the general economic condition of the area. City Council's actual expenditures were less than final appropriations due to management keeping expenditures down.

The original revenue and expenditure budget is designed to be very conservative requiring additional spending requests to be approved by Council throughout the year. During the course of 2012, the City amended its general fund budget numerous times, in response to conservative revenue projections being surpassed.

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

Capital Assets and Debt Administration

Capital Assets

Total capital assets for the governmental activities, net of accumulated depreciation increased over the prior year because of additions to capital assets being slightly offset by an additional year of accumulated depreciation being taken. Capital asset additions consisted of paving projects, a new playground, fencing around the ball field, a communication system and the purchase of safety vehicles.

Total capital assets for the business-type activities, net of accumulated depreciation decreased due to an additional year of accumulated depreciation outpacing capital outlay expenses. See Note 10 to the basic financial statements for additional information on capital assets.

(Table 3)
Capital Assets at December 31
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$1,908,840	\$1,708,840	\$547,386	\$547,386	\$2,456,226	\$2,256,226
Land Improvements	342,837	305,921	0	0	342,837	305,921
Buildings and Improvement	3,782,606	3,904,178	0	0	3,782,606	3,904,178
Furniture and Equipment	691,600	737,283	183,684	198,862	875,284	936,145
Vehicles	1,292,269	1,049,239	172,104	172,008	1,464,373	1,221,247
Infrastructure - Streets	6,898,397	6,031,283	5,163,530	5,328,125	12,061,927	11,359,408
Total Capital Assets	\$14,916,549	\$13,736,744	\$6,066,704	\$6,246,381	\$20,983,253	\$19,983,125

Long-term Obligations

The long-term obligations include OWDA loans, general obligation bonds, OPWC loans, refunding notes payable, TIF's, judgments payable, capital leases and compensated absences.

(Table 4)
Outstanding Long-term Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
OWDA Loans	\$0	\$0	\$470,535	\$482,065	\$470,535	\$482,065
General Obligation Bonds	1,995,209	2,281,685	0	0	1,995,209	2,281,685
OPWC Loans	61,633	81,462	0	0	61,633	81,462
Refunding Notes	3,702,494	4,300,000	0	0	3,702,494	4,300,000
Tax Incremental Financing Agreement	1,435,435	1,541,923	0	0	1,435,435	1,541,923
Judgments Payable	486,989	616,989	0	0	486,989	616,989
Capital Lease	367,301	607,516	2,318	6,684	369,619	614,200
Compensated Absences	368,663	350,953	5,715	27,416	374,378	378,369
Total	\$8,417,724	\$9,780,528	\$478,568	\$516,165	\$8,896,292	\$10,296,693

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

The OPWC loans are being paid with monies from the capital improvements capital projects fund.

The OWDA loans are being paid from water enterprise fund user service charges.

Compensated absences will be paid from the following funds: the general fund, the street maintenance and repair special revenue fund and the water enterprise fund. The overall decrease in compensated absences was the result of a lower balance of sick and vacation time held by the City's full-time employees.

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

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

Judgments payable - During the State Route 43 project, the City retained services of an outside consultant. The consultant and the City approved change orders related to the project. However, the Ohio Department of Transportation (ODOT) was not notified of these orders. Since ODOT and the City shared the costs associated with the project, ODOT's position is that it should be reimbursed for the change order of which it was not notified. The balance due to ODOT is \$486,989. ODOT has agreed to a 0 percent interest repayment schedule with the first payment due April 1, 2010 and the final payment due April 1, 2016.

On January 25, 2012, the City issued \$4,300,000 par value refunding notes in order to finance a portion of the judgments payable. The City made a \$300,000 principal payment during 2012.

The City of Streetsboro's overall legal debt margin was \$39,764,286 on December 31, 2012. For more information about the City's long-term obligations, see Note 11 to the basic financial statements.

Current Financial Issues

The Administration provided strong fiscal management, holding general operating expenses in check while maintaining City services at a high level in 2012. However with decreasing revenues from Federal and State sources and increasing expenses, the City will likely face some tough challenges in the coming years unless it is able to seek out and secure additional revenue sources. The City should see a modest increase in income tax collections in 2013 despite the general economic climate largely due to its diverse tax base. Expenses can only be cut back so much without jeopardizing the safety, health and welfare of the residents. The Administration will continue to monitor the revenues and expenses and make appropriate adjustments as needed. The Administration continues toward its goal of keeping all residents and other interested parties fully informed as to the financial status of the City of Streetsboro.

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

Contacting the City of Streetsboro's Financial Management

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

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City of Streetsboro, Ohio

Statement of Net Position

December 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,971,229	\$2,786,816	\$7,758,045
Materials and Supplies Inventory	39,714	0	39,714
Prepaid Items	129,146	16,542	145,688
Accounts Receivable	366,829	484,935	851,764
Intergovernmental Receivable	540,008	0	540,008
Income Taxes Receivable	3,451,309	0	3,451,309
Property Taxes Receivable	1,158,314	0	1,158,314
Payments in Lieu of Taxes Receivable	118,450	0	118,450
Special Assessments Receivable	69,670	723,083	792,753
Loans Receivable	749,930	0	749,930
Nondepreciable Capital Assets	1,908,840	547,386	2,456,226
Depreciable Capital Assets, Net	13,007,709	5,519,318	18,527,027
<i>Total Assets</i>	<u>26,511,148</u>	<u>10,078,080</u>	<u>36,589,228</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	51,479	0	51,479
Liabilities			
Accounts Payable	106,561	121,704	228,265
Accrued Wages	141,819	10,596	152,415
Contracts Payable	19,746	0	19,746
Intergovernmental Payable	323,198	7,780	330,978
Matured Compensated Absences Payable	30,446	0	30,446
Accrued Interest Payable	47,092	0	47,092
Notes Payable	300,000	0	300,000
Long-Term Liabilities:			
Due Within One Year	828,026	15,172	843,198
Due In More Than One Year	7,589,698	463,396	8,053,094
<i>Total Liabilities</i>	<u>9,386,586</u>	<u>618,648</u>	<u>10,005,234</u>
Deferred Inflows of Resources			
Payments in Lieu of Taxes	118,450	0	118,450
Property Taxes	1,124,619	0	1,124,619
<i>Total Deferred Inflows of Resources</i>	<u>1,243,069</u>	<u>0</u>	<u>1,243,069</u>
Net Position			
Net Investment in Capital Assets	12,492,406	5,593,851	18,086,257
Restricted for:			
Capital Projects	1,113	0	1,113
Transportation Programs	536,047	0	536,047
Community Development Programs	1,024,525	0	1,024,525
Cemetery	83,419	0	83,419
Convention and Visitor's Bureau	9,237	0	9,237
Police and Fire Departments	170,138	0	170,138
Other Purposes	60,321	0	60,321
Unrestricted	1,555,766	3,865,581	5,421,347
<i>Total Net Position</i>	<u>\$15,932,972</u>	<u>\$9,459,432</u>	<u>\$25,392,404</u>

See accompanying notes to the basic financial statements

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

	Program Revenues		
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	\$3,877,863	\$307,963	\$271,467
Public Safety	6,043,319	792,039	87,577
Public Health Services	47,001	12,969	0
Transportation	1,203,101	0	854,471
Community Development	728,579	58,946	324,617
Basic Utility Services	997,144	71,956	0
Leisure Time Activities	538,262	167,891	0
Interest and Fiscal Charges	262,844	0	0
<i>Total Governmental Activities</i>	<u>13,698,113</u>	<u>1,411,764</u>	<u>1,538,132</u>
Business-Type Activities:			
Water	2,714,931	2,916,445	0
<i>Total - Primary Government</i>	<u>\$16,413,044</u>	<u>\$4,328,209</u>	<u>\$1,538,132</u>

General Revenues

Property Taxes Levied for:

- General Purposes
- General Obligation Bond Retirement
- Convention and Visitors
- Police Pension

Income Taxes Levied for:

- General Purposes
- General Obligation Bond Retirement
- General Capital Improvements

Grants and Entitlements not Restricted to Specific Programs

Payment in Lieu of Taxes

Interest

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$3,298,433)	\$0	(\$3,298,433)
(5,163,703)	0	(5,163,703)
(34,032)	0	(34,032)
(348,630)	0	(348,630)
(345,016)	0	(345,016)
(925,188)	0	(925,188)
(370,371)	0	(370,371)
(262,844)	0	(262,844)
<u>(10,748,217)</u>	<u>0</u>	<u>(10,748,217)</u>
<u>0</u>	<u>201,514</u>	<u>201,514</u>
<u>(10,748,217)</u>	<u>201,514</u>	<u>(10,546,703)</u>
1,215,075	0	1,215,075
300,234	0	300,234
141,781	0	141,781
119,647	0	119,647
8,460,630	0	8,460,630
220,634	0	220,634
2,206,572	0	2,206,572
437,805	0	437,805
106,488	0	106,488
21,447	1,171	22,618
562,160	9,628	571,788
<u>13,792,473</u>	<u>10,799</u>	<u>13,803,272</u>
<u>(21,761)</u>	<u>21,761</u>	<u>0</u>
<u>13,770,712</u>	<u>32,560</u>	<u>13,803,272</u>
3,022,495	234,074	3,256,569
<u>12,910,477</u>	<u>9,225,358</u>	<u>22,135,835</u>
<u>\$15,932,972</u>	<u>\$9,459,432</u>	<u>\$25,392,404</u>

City of Streetsboro, Ohio

Balance Sheet

Governmental Funds

December 31, 2012

	General	General Obligation Bond Retirement	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$2,245,400	\$176,437	\$704,148	\$1,845,244	\$4,971,229
Materials and Supplies Inventory	28,228	0	0	11,486	39,714
Accounts Receivable	197,674	0	0	169,155	366,829
Intergovernmental Receivable	163,487	13,011	0	363,510	540,008
Prepaid Items	121,962	0	0	7,184	129,146
Income Taxes Receivable	2,692,021	69,026	690,262	0	3,451,309
Property Taxes Receivable	758,895	279,593	0	119,826	1,158,314
Payments in Lieu of Taxes Receivable	0	118,450	0	0	118,450
Loans Receivable	0	0	0	749,930	749,930
Special Assessments Receivable	0	0	0	69,670	69,670
<i>Total Assets</i>	<u>\$6,207,667</u>	<u>\$656,517</u>	<u>\$1,394,410</u>	<u>\$3,336,005</u>	<u>\$11,594,599</u>
Liabilities					
Accounts Payable	\$48,585	\$0	\$6,082	\$51,894	\$106,561
Accrued Wages	126,614	0	0	15,205	141,819
Contracts Payable	0	0	0	19,746	19,746
Intergovernmental Payable	261,247	0	0	61,951	323,198
Matured Compensated Absences Payable	30,446	0	0	0	30,446
Notes Payable	0	300,000	0	0	300,000
<i>Total Liabilities</i>	<u>466,892</u>	<u>300,000</u>	<u>6,082</u>	<u>148,796</u>	<u>921,770</u>
Deferred Inflows of Resources					
Payments in Lieu of Taxes	0	118,450	0	0	118,450
Property Taxes	736,819	271,460	0	116,340	1,124,619
Unavailable Revenue	1,553,882	56,129	349,850	430,760	2,390,621
<i>Total Deferred Inflows of Resources</i>	<u>2,290,701</u>	<u>446,039</u>	<u>349,850</u>	<u>547,100</u>	<u>3,633,690</u>
Fund Balances					
Nonspendable	150,190	0	0	18,670	168,860
Restricted	0	0	0	1,814,313	1,814,313
Committed	93,055	0	1,038,478	807,126	1,938,659
Assigned	1,022,758	0	0	0	1,022,758
Unassigned (Deficit)	2,184,071	(89,522)	0	0	2,094,549
<i>Total Fund Balances (Deficit)</i>	<u>3,450,074</u>	<u>(89,522)</u>	<u>1,038,478</u>	<u>2,640,109</u>	<u>7,039,139</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$6,207,667</u>	<u>\$656,517</u>	<u>\$1,394,410</u>	<u>\$3,336,005</u>	<u>\$11,594,599</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances	\$7,039,139
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	14,916,549
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	33,695
Income Taxes	1,749,248
Charges for Services	182,506
Special Assessments	69,670
Intergovernmental	<u>355,502</u>
Total	2,390,621
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(47,092)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(1,995,209)
OPWC Loans Payable	(61,633)
Refunding Notes Payable	(3,702,494)
Tax Incremental Financing Agreement	(1,435,435)
Judgements Payable	(486,989)
Capital Leases Payable	(367,301)
Compensated Absences	(368,663)
Deferred Charge on Refunding	<u>51,479</u>
Total	<u>(8,366,245)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$15,932,972</u></u>

See accompanying notes to the basic financial statements

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

	General	General Obligation Bond Retirement	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,192,999	\$323,370	\$0	\$271,343	\$1,787,712
Income Taxes	8,414,224	212,356	2,123,791	0	10,750,371
Special Assessments	0	0	0	20,033	20,033
Payment In Lieu of Taxes	0	106,488	0	0	106,488
Intergovernmental	342,946	26,586	0	1,483,671	1,853,203
Interest	2,808	17,873	0	766	21,447
Fees, Licenses and Permits	539,174	0	0	144,951	684,125
Fines and Forfeitures	95,198	0	0	32,814	128,012
Rentals	3,200	0	0	780	3,980
Charges for Services	211,756	0	0	330,604	542,360
Contributions and Donations	270	0	0	10,000	10,270
Other	413,137	1,325	110,415	37,283	562,160
<i>Total Revenues</i>	<u>11,215,712</u>	<u>687,998</u>	<u>2,234,206</u>	<u>2,332,245</u>	<u>16,470,161</u>
Expenditures					
Current:					
General Government	3,489,386	8,430	0	251,570	3,749,386
Security of Persons and Property	5,493,847	0	0	298,677	5,792,524
Public Health Services	0	0	0	43,499	43,499
Leisure Time Activities	361,726	0	0	131,553	493,279
Community Development	686,348	0	0	10,360	696,708
Transportation	0	0	0	834,167	834,167
Basic Utility Services	809,274	0	0	0	809,274
Capital Outlay	0	0	1,889,039	289,488	2,178,527
Debt Service:					
Principal Retirement	750,000	691,488	362,430	27,614	1,831,532
Principal Retirement - Current Refunding	0	300,000	0	0	300,000
Interest and Fiscal Charges	0	124,359	23,488	5,266	153,113
<i>Total Expenditures</i>	<u>11,590,581</u>	<u>1,124,277</u>	<u>2,274,957</u>	<u>1,892,194</u>	<u>16,882,009</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(374,869)</u>	<u>(436,279)</u>	<u>(40,751)</u>	<u>440,051</u>	<u>(411,848)</u>
Other Financing Sources (Uses)					
Premium on Refunding Notes Issued	0	29,928	0	0	29,928
Refunding Notes Issued	0	4,000,000	0	0	4,000,000
Loan Issued	750,000	0	0	0	750,000
Current Refunding	0	(4,000,000)	0	0	(4,000,000)
Transfers In	0	0	0	2,598	2,598
Transfers Out	0	0	0	(24,359)	(24,359)
<i>Total Other Financing Sources (Uses)</i>	<u>750,000</u>	<u>29,928</u>	<u>0</u>	<u>(21,761)</u>	<u>758,167</u>
<i>Net Change in Fund Balances</i>	<u>375,131</u>	<u>(406,351)</u>	<u>(40,751)</u>	<u>418,290</u>	<u>346,319</u>
<i>Fund Balances Beginning of Year</i>	<u>3,074,943</u>	<u>316,829</u>	<u>1,079,229</u>	<u>2,221,819</u>	<u>6,692,820</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$3,450,074</u>	<u>(\$89,522)</u>	<u>\$1,038,478</u>	<u>\$2,640,109</u>	<u>\$7,039,139</u>

See accompanying notes to the basic financial statement

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

Net Change in Fund Balances - Total Governmental Funds \$346,319

*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 cost 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 Asset Additions	2,150,289	
Current Year Depreciation	(970,484)	
Total		1,179,805

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

Delinquent Property Taxes	(10,975)	
Income Taxes	137,465	
Intergovernmental	112,464	
Charges for Services	53,287	
Special Assessments	(20,033)	
Total		272,208

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 6,131,532

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.

Accrued Interest on Bonds	(131,198)	
Amortization of Premium	28,910	
Amortization of Deferred Charge on Refunding	(7,443)	
Total		(109,731)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (17,710)

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.

Loan Issued	(750,000)	
Refunding Notes Issued	(4,000,000)	
Premium on Refunding Notes Issued	(29,928)	
Total		(4,779,928)

Change in Net Position of Governmental Activities \$3,022,495

See accompanying notes to the basic financial statements

City of Streetsboro, 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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,073,614	\$1,223,630	\$1,216,624	(\$7,006)
Income Taxes	7,398,627	8,432,435	8,384,156	(48,279)
Intergovernmental	298,181	339,846	337,900	(1,946)
Interest	2,478	2,824	2,808	(16)
Fees, Licenses and Permits	407,749	464,724	462,063	(2,661)
Fines and Forfeitures	87,610	99,852	99,280	(572)
Rentals	2,824	3,218	3,200	(18)
Charges for Services	169,748	193,467	192,359	(1,108)
Contributions and Donations	238	271	270	(1)
Other	414,019	471,870	469,168	(2,702)
<i>Total Revenues</i>	9,855,088	11,232,137	11,167,828	(64,309)
Expenditures				
Current:				
General Government	3,657,275	4,080,996	3,711,569	369,427
Security of Persons and Property	5,346,104	5,974,913	5,468,211	506,702
Leisure Time Activities	354,460	396,042	359,132	36,910
Community Development	672,305	751,363	682,513	68,850
Basic Utility Services	794,325	887,779	853,115	34,664
Debt Service:				
Principal Retirement	729,817	817,168	750,000	67,168
<i>Total Expenditures</i>	11,554,286	12,908,261	11,824,540	1,083,721
<i>Excess of Revenues Under Expenditures</i>	(1,699,198)	(1,676,124)	(656,712)	1,019,412
Other Financing Sources (Uses)				
Proceeds of Loans	750,000	750,000	750,000	0
Advances-In	350,000	350,000	350,000	0
Advances-Out	(340,581)	(381,345)	(350,000)	31,345
<i>Total Other Financing Sources (Uses)</i>	759,419	718,655	750,000	31,345
<i>Net Change in Fund Balance</i>	(939,779)	(957,469)	93,288	1,050,757
<i>Fund Balance Beginning of Year</i>	1,710,966	1,710,966	1,710,966	0
Prior Year Encumbrances Appropriated	241,870	241,870	241,870	0
<i>Fund Balance End of Year</i>	\$1,013,057	\$995,367	\$2,046,124	\$1,050,757

See accompanying notes to the basic financial statements

City of Streetsboro, Ohio
Statement of Fund Net Position
Enterprise Fund
December 31, 2012

	Water
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$2,786,816
Receivables:	
Accounts	484,935
Special Assessments	723,083
Prepaid Items	16,542
<i>Total Current Assets</i>	4,011,376
<i>Noncurrent Assets:</i>	
<i>Capital Assets:</i>	
Nondepreciable Capital Assets	547,386
Depreciable Capital Assets, Net	5,519,318
<i>Total Noncurrent Assets</i>	6,066,704
<i>Total Assets</i>	10,078,080
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	121,704
Accrued Wages	10,596
Intergovernmental Payable	7,780
OWDA Loans Payable	12,115
Capital Leases Payable	2,318
Compensated Absences Payable	739
<i>Total Current Liabilities</i>	155,252
<i>Long-Term Liabilities (net of current portion):</i>	
OWDA Loans Payable	458,420
Compensated Absences Payable	4,976
<i>Total Long-Term Liabilities</i>	463,396
<i>Total Liabilities</i>	618,648
Net Position	
Net Investment in Capital Assets	5,593,851
Unrestricted	3,865,581
<i>Total Net Position</i>	\$9,459,432

See accompanying notes to the basic financial statements

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

	Water
Operating Revenues	
Charges for Services	\$2,783,061
Special Assessments	133,384
Other	9,628
<i>Total Operating Revenues</i>	<i>2,926,073</i>
Operating Expenses	
Personal Services	635,479
Materials and Supplies	105,796
Contractual Services	1,572,813
Depreciation	376,321
Other	22
<i>Total Operating Expenses</i>	<i>2,690,431</i>
<i>Operating Income</i>	<i>235,642</i>
Non-Operating Revenues (Expenses)	
Interest	1,171
Interest and Fiscal Charges	(24,500)
<i>Total Non-Operating Revenues (Expenses)</i>	<i>(23,329)</i>
<i>Income before Transfers</i>	<i>212,313</i>
Transfers In	21,761
<i>Change in Net Position</i>	<i>234,074</i>
<i>Net Position Beginning of Year</i>	<i>9,225,358</i>
<i>Net Position End of Year</i>	<i>\$9,459,432</i>

See accompanying notes to the basic financial statements

City of Streetsboro, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2012

	Water
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$2,762,147
Special Assessments	175,043
Other Cash Receipts	9,628
Cash Payments to Employees for Services	(663,682)
Cash Payments for Goods and Services	(1,730,912)
Other Cash Payments	(22)
<i>Net Cash Provided by Operating Activities</i>	552,202
Cash Flows from Noncapital and Related Financing Activities	
Transfers In	21,761
Cash Flows from Capital and Related Financing Activities	
Principal Paid on OWDA Loans	(11,530)
Interest Paid on OWDA Loans	(24,091)
Principal Paid on Lease	(4,366)
Interest Paid on Lease	(409)
Payments for Capital Acquisitions	(196,644)
<i>Net Cash Used in Capital and Related Financing Activities</i>	(237,040)
Cash Flows from Investing Activities	
Interest on Investments	1,171
<i>Net Increase in Cash and Cash Equivalents</i>	338,094
<i>Cash and Cash Equivalents Beginning of Year</i>	2,448,722
<i>Cash and Cash Equivalents End of Year</i>	\$2,786,816

(continued)

City of Streetsboro, Ohio
Statement of Cash Flows
Enterprise Fund (continued)
For the Year Ended December 31, 2012

	Water
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$235,642
Adjustments:	
Depreciation	376,321
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	(20,914)
Prepaid Items	6,088
Special Assessments	41,659
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	118,732
Accrued Wages	611
Compensated Absences Payable	(28,025)
Intergovernmental Payable	(177,912)
<i>Total Adjustments</i>	316,560
<i>Net Cash Provided by Operating Activities</i>	\$552,202

See accompanying notes to the basic financial statements

City of Streetsboro, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2012

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$71,707</u></u>
Liabilities	
Undistributed Monies	<u><u>\$71,707</u></u>

See accompanying notes to the basic financial statements

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

Note 1 – Description of the City and Reporting Entity

The City of Streetsboro (the “City”) was incorporated in 1969 and chartered in 1971, under the laws of the State of Ohio. The City operates under a Mayor-Council form of government. The Mayor is elected for a four-year term and Council members are elected either at large or at the ward level for four year staggered terms.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Streetsboro, this includes the agencies and departments that provide the following services: police and fire fighting forces, a street maintenance department, a park and recreation system, planning and zoning, and a staff to provide the necessary support to these service providers. The operation of each of these activities is directly controlled by City Council through the budgetary process.

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 deficits of, or provide financial support to, 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.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City of Streetsboro have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The 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.

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 statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid

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

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 program or business activity 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 and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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 City of Streetsboro and/or the general laws of Ohio.

General Obligation Bond Retirement - The general obligation bond retirement fund accounts for and reports the accumulation of restricted debt proceeds, and the payment of, general long-term principal, interest and related costs.

General Capital Improvements Fund - The capital improvement fund accounts for a portion of the City's income tax receipts and grants committed for the acquisition, construction or improvement of capital assets.

The other governmental funds of the City account for and report 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's only proprietary fund is an enterprise fund.

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

City of Streetsboro, Ohio
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Water Fund - The water fund accounts for and reports revenues generated from the charges for distribution of water to the residential and commercial users located within 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's agency fund accounts for and reports deposits in escrow held by the City.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using 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 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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet.

The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds 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 proprietary activities.

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 statement 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 outflows/inflows of resources and in the presentation of expenses versus expenditures.

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

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

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

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 payments in lieu of taxes, property taxes and unavailable revenue. Payments in lieu of taxes and property 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 and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

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Cash and Cash Equivalents

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

During 2012, investments were limited to STAR Ohio (State Treasury Asset Reserve of Ohio), money market accounts and repurchase agreements all reported at cost.

The City of Streetsboro has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price 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 \$2,808, none of which is assigned from other City funds.

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

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 at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Inventory

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. 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 \$5,000 with the exception of land as land was included 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 or not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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All capital assets are depreciated except for land. 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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20 years	N/A
Buildings and Improvements	20 - 50 years	N/A
Furniture and Equipment	5 - 20 years	5 - 10 years
Vehicles	8 years	5 years
Infrastructure - Water Lines	N/A	30 years
Infrastructure - Streets	25 years	N/A

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables.” Interfund balances amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive the compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees.

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 employee’s wage rates at year end, taking into consideration any limits in the City’s termination policy. The City records a liability for accumulated unused sick leave for all employees after ten years of service.

On the fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments 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 will be paid.

Accrued Liabilities and Long-Term Obligations

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

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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. Long-term loans and capital leases 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 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.

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 a formal action (ordinance or resolution, as both are equally binding) of City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) 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 is 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. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by policies of the 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.

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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 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 a 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. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for police range and police and fire pensions.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are 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 water services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues and expenses which do not meet these definitions are reported as non-operating.

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.

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 resolution, 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 appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level for all funds. Budgetary modification may only be made by resolution of the City Council at the legal level of control.

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

City of Streetsboro, Ohio
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The appropriation resolution 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 resolution 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.

Deferred Charge on Refunding

The difference between the reacquisition price (funds required to refund the old debt) of various refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss 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 Premium

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

Note 3 – Change 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.

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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). The implementation of this statement resulted in issuance costs being expensed rather than being deferred. The implementation of this statement did not result in any change in the City's 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 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual for the general and major special revenue funds are 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:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the general and major special revenue funds are as follows:

Net Change in Fund Balances	
	General
GAAP Basis	\$375,131
Net Adjustment for Revenue Accruals	(47,884)
Advances-In	(350,000)
Net Adjustment for Expenditures Accruals	(34,683)
Advances-Out	350,000
Encumbrances	(199,276)
Budget Basis	\$93,288

City of Streetsboro, Ohio
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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	General Obligation Bond Retirement	Capital Improvements	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>					
Prepays	\$121,962	\$0	\$0	\$7,184	\$129,146
Inventory	28,228	0	0	11,486	39,714
<i>Total Nonspendable</i>	150,190	0	0	18,670	168,860
<i>Restricted for</i>					
Debt Service Payments	0	0	0	174,046	174,046
General Government	0	0	0	248,852	248,852
Public Safety	0	0	0	76,206	76,206
Street Maintenance	0	0	0	362,132	362,132
Community Development	0	0	0	868,545	868,545
Public Health and Welfare	0	0	0	83,419	83,419
Capital Improvements	0	0	0	1,113	1,113
<i>Total Restricted</i>	0	0	0	1,814,313	1,814,313
<i>Committed to</i>					
Capital Improvements	0	0	1,038,478	676,525	1,715,003
Recreation	0	0	0	104,307	104,307
Utility Services	93,055	0	0	0	93,055
Community Development	0	0	0	26,294	26,294
<i>Total Committed</i>	93,055	0	1,038,478	807,126	1,938,659
<i>Assigned to</i>					
Subsequent Year Appropriation	958,485	0	0	0	958,485
Purchases on Order	64,273	0	0	0	64,273
<i>Total Assigned</i>	1,022,758	0	0	0	1,022,758
<i>Unassigned (Deficit)</i>	2,184,071	(89,522)	0	0	2,094,549
<i>Total Fund Balances</i>	\$3,450,074	(\$89,522)	\$1,038,478	\$2,640,109	\$7,039,139

Note 6 - Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the City treasury. Active deposits 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.

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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, 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 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 of training requirements have been met.

The City may also invest any monies not required to be used for a specific 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;
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 Streetsboro, Ohio
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Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that, in the event of failure of the counterparty, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the City's bank balance of \$2,572,352 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 FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of 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 one hundred five percent of the deposits being secured.

Investments

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

	Fair Value	Maturity	Standard & Poor's	Percent of Total Investments
Star Ohio	\$4,421,678	55.4 days	AAAm	N/A
Money Market Accounts	1,000,647	Less than one year	AA+	16.24 %
Repurchase Agreements	740,000	Less than one year	AA+	12.01
Total Portfolio	<u>\$6,162,325</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 two years from the date of purchase if they have a variable interest rate and five years for investments that have a fixed rate and that the City's investment portfolio be structured so that 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. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

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

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer.

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

Note 7 - Receivables

Receivables at December 31, 2012, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts (billings for utility service).

All receivables, except property and income taxes, are expected to be received within one year. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant and collected within one year. All special assessments are expected to be collected within one year and none are delinquent.

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 were 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.

The full tax rate for all City operations for the year ended December 31, 2012, was \$2.90 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2012 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$265,639,060
Other Real Estate	164,498,480
Tangible Personal Property	
Public Utility	<u>7,130,500</u>
Total Assessed Values	<u><u>\$437,268,040</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2012, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of

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

resources – property taxes. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

The City levies a 2.0 percent income tax on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside of the City. The City allows a credit of one hundred percent for income tax paid to another municipality. 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 estimated tax quarterly and file a 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. Income tax revenue is credited to the general fund, the general capital improvement fund and the general obligation bond retirement fund.

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.

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Gasoline and Municipal Cents per Gallon	\$200,509
Local Government	178,721
Permissive Tax	58,795
Homestead and Rollback	53,904
Estate Tax	46,814
Commercial Activity Tax	1,265
Total	\$540,008

Note 8 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. City employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has acquired at least one year of service with the City. Accumulated, unused sick leave is paid to a retiring employee or, upon the death of the employee, to the employee’s estate, up to a maximum of 960 hours, provided the employee has ten or more years’ service with the City prior to the date of retirement or death.

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

Note 9 - Contingencies

Litigation

The City is party to legal proceedings. The City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Grants

The City received 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 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 at December 31, 2012.

Note 10 - Capital Assets

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

Governmental Activities	Balance 12/31/2011	Additions	Deductions	Balance 12/31/2012
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,708,840	\$200,000	\$0	\$1,908,840
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,060,635	82,068	0	1,142,703
Buildings and Improvements	5,881,127	0	0	5,881,127
Furniture and Equipment	2,983,672	125,671	0	3,109,343
Vehicles	3,927,272	508,882	0	4,436,154
Infrastructure - Streets	7,921,090	1,233,668	0	9,154,758
Total Capital Assets being Depreciated	21,773,796	1,950,289	0	23,724,085
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(754,714)	(45,152)	0	(799,866)
Buildings and Improvements	(1,976,949)	(121,572)	0	(2,098,521)
Furniture and Equipment	(2,246,389)	(171,354)	0	(2,417,743)
Vehicles	(2,878,033)	(265,852)	0	(3,143,885)
Infrastructure - Streets	(1,889,807)	(366,554)	0	(2,256,361)
Total Accumulated Depreciation	(9,745,892)	(970,484) *	0	(10,716,376)
Total Capital Assets being Depreciated, Net	12,027,904	979,805	0	13,007,709
Governmental Activities Capital Assets, Net	\$13,736,744	\$1,179,805	\$0	\$14,916,549

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

*Depreciation expense was charged to governmental activities as follows:

General Government	\$79,349
Security of Persons and Property	326,086
Public Health Services	3,502
Transportation	344,416
Community Development	25,486
Basic Utility Services	151,511
Leisure Time Activities	40,134
Total Depreciation Expense	<u><u>\$970,484</u></u>

	Balance 12/31/2011	Additions	Deductions	Balance 12/31/2012
Business Type Activities:				
<i>Capital Assets not being Depreciated:</i>				
Land	\$547,386	\$0	\$0	\$547,386
<i>Capital Assets being Depreciated:</i>				
Furniture and Equipment	762,910	17,090	0	780,000
Vehicles	289,039	30,000	0	319,039
Infrastructure	10,282,230	149,554	0	10,431,784
Total Capital Assets being Depreciated	<u>11,334,179</u>	<u>196,644</u>	<u>0</u>	<u>11,530,823</u>
<i>Less Accumulated Depreciation:</i>				
Furniture and Equipment	(564,048)	(32,268)	0	(596,316)
Vehicles	(117,031)	(29,904)	0	(146,935)
Infrastructure	(4,954,105)	(314,149)	0	(5,268,254)
Total Accumulated Depreciation	<u>(5,635,184)</u>	<u>(376,321)</u>	<u>0</u>	<u>(6,011,505)</u>
Total Capital Assets being Depreciated, Net	<u>5,698,995</u>	<u>(179,677)</u>	<u>0</u>	<u>5,519,318</u>
Business Type Activities Capital Assets, Net	<u><u>\$6,246,381</u></u>	<u><u>(\$179,677)</u></u>	<u><u>\$0</u></u>	<u><u>\$6,066,704</u></u>

Note 11 - Long-Term Obligations

Original issue amounts and interest rates of the City's debt issues are as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Business-Type Activities:			
<i>Ohio Water Development Authority Loans</i>			
OWDA Briar Root Manor Waterline	5.01%	\$482,065	2034
Governmental Activities:			
2010 Various Purpose Refunding Bonds	1.50-2.75	2,880,000	2019
<i>Ohio Public Works Commission Loans</i>			
Aurora Hudson and Wellman	0.00	33,171	2017
State Route 303 Superior and Mount Vernon	0.00	48,291	2015
Bond Anticipation Notes	1.15	4,000,000	2013
Tax Incremental Financing Agreement	0.00	2,204,109	2020
Judgments	0.00	616,989	2016

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

A schedule of changes in bonds and other long-term obligations of the City during 2012 follows:

	Amount Outstanding 12/31/2011	Additions	Deletions	Amount Outstanding 12/31/2012	Amounts Due In One Year
Business-Type Activities:					
OWDA Briar Root Manor Waterline	\$482,065	\$0	(\$11,530)	\$470,535	\$12,115
Capital Lease	6,684	0	(4,366)	2,318	2,318
Compensated Absences	27,416	5,870	(27,571)	5,715	739
<i>Total Business-Type Activities Obligations</i>	<u>\$516,165</u>	<u>\$5,870</u>	<u>(\$43,467)</u>	<u>\$478,568</u>	<u>\$15,172</u>
Governmental Activities Obligations:					
<i>General Obligation Bonds</i>					
2010 Various Purpose Refunding Bonds	\$2,270,000	\$0	(\$285,000)	\$1,985,000	\$295,000
2010 Various Purpose Refunding Bonds - Premium	11,685	0	(1,476)	10,209	0
Total General Obligation Bonds	<u>2,281,685</u>	<u>0</u>	<u>(286,476)</u>	<u>1,995,209</u>	<u>295,000</u>
<i>Ohio Public Works Commission Loans</i>					
Aurora Hudson and Wellman	33,171	0	(6,031)	27,140	6,031
State Route 303 Superior and Mount Vernon	48,291	0	(13,798)	34,493	13,798
Total Ohio Public Works Commission Loans	<u>81,462</u>	<u>0</u>	<u>(19,829)</u>	<u>61,633</u>	<u>19,829</u>
<i>Notes Payable</i>					
Refunding Notes	4,300,000	4,000,000	(4,600,000)	3,700,000	0
Refunding Notes - Premium	0	29,928	(27,434)	2,494	0
Notes Payable	<u>4,300,000</u>	<u>4,029,928</u>	<u>(4,627,434)</u>	<u>3,702,494</u>	<u>0</u>
Tax Incremental Financing Agreement	1,541,923	0	(106,488)	1,435,435	103,000
Judgements	616,989	0	(130,000)	486,989	130,000
Loan	0	750,000	(750,000)	0	0
Capital Lease	607,516	0	(240,215)	367,301	184,802
Compensated Absences	350,953	134,224	(116,514)	368,663	95,395
<i>Total Governmental Activities Obligations</i>	<u>\$9,780,528</u>	<u>\$4,914,152</u>	<u>(\$6,276,956)</u>	<u>\$8,417,724</u>	<u>\$828,026</u>

OWDA loans will be paid from water enterprise fund user service charges. The OPWC loans will be paid with monies from the capital improvements capital projects fund. Capital leases will be paid from the following funds: the street maintenance and repair special revenue fund, the capital improvement capital projects fund and the water enterprise fund. Compensated absences will be paid from the following funds: the general fund, the street maintenance and repair special revenue fund and the water enterprise fund.

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

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

The reacquisition price exceeded the net carrying amount of the old debt by \$67,605. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

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

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

Judgments payable - During the State Route 43 project, the City retained services of an outside consultant. The consultant and the City approved change orders related to the project. However, the Ohio Department of Transportation (ODOT) was not notified of these orders. Since ODOT and the City shared the costs associated with the project, ODOT's position is that it should be reimbursed for the change order of which it was not notified. The balance due to ODOT is \$486,989. ODOT has agreed to a 0 percent interest repayment schedule with the first payment due April 1, 2010 and the final payment due April 1, 2016.

During 2012, the City received a \$750,000 loan from the Western Reserve Land Conservancy in order to purchase Beck property. The City retired the loan in full during 2012.

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

The City's overall legal debt margin was \$39,764,286 at December 31, 2012. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2012, are as follows:

Business-Type Activities:

	<u>OWDA Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$12,115	\$23,424
2014	12,730	22,809
2015	13,376	22,163
2016	14,054	21,485
2017	14,767	20,772
2018 - 2022	85,860	91,835
2023 - 2027	109,963	67,732
2028 - 2032	140,830	36,865
2033 - 2034	66,840	4,238
Total	<u>\$470,535</u>	<u>\$311,323</u>

Governmental Activities:

	<u>Various Purpose General Obligation Bonds</u>		<u>OPWC Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Totals</u>
2013	\$295,000	\$38,494	\$19,829	\$353,323
2014	305,000	33,232	19,829	358,061
2015	305,000	27,132	12,927	345,059
2016	310,000	21,369	6,032	337,401
2017	250,000	16,000	3,016	269,016
2018 - 2019	520,000	13,958	0	533,958
Total	<u>\$1,985,000</u>	<u>\$150,185</u>	<u>\$61,633</u>	<u>\$2,196,818</u>

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

Note 12 – Capital Lease

In prior years, the City had entered into capital lease agreements for the acquisition of an asphalt grinder, a wheel loader, copiers, office equipment, dump trucks, water equipment, and various police, fire and service vehicles. These lease obligations meet the criteria of a capital lease and have been recorded on the government-wide statements. The original amounts capitalized for the capital leases and the book values as of December 31, 2012 are as follows:

	Governmental Activities Amounts	Business-Type Activities Amounts	Total
Vehicles	\$960,616	\$114,091	\$1,074,707
Equipment	300,814	19,248	320,062
Total Capitalized	1,261,430	133,339	1,394,769
Less: Accumulated Depreciation	(336,693)	(84,211)	(420,904)
Current Book Value	<u>\$924,737</u>	<u>\$49,128</u>	<u>\$973,865</u>

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2012.

	Governmental Activities Amounts	Business-Type Activities Amounts	Total
2013	\$201,431	\$2,389	\$203,820
2014	129,012	0	129,012
2015	63,250	0	63,250
Total Minimum Lease Payments	393,693	2,389	396,082
Less: Amount representing interest	(26,392)	(71)	(26,463)
Present Value of Minimum Lease Payments	<u>\$367,301</u>	<u>\$2,318</u>	<u>\$369,619</u>

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the street maintenance special revenue, general capital improvements capital projects and water enterprise funds. These expenditures are reflected as program expenditures on a budgetary basis.

Note 13 – Note Debt

The City's note activity, including amounts outstanding and interest rates, is as follows:

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12
Refunding Note	<u>\$0</u>	<u>\$300,000</u>	<u>\$0</u>	<u>\$300,000</u>

On January 25, 2012 the city issued \$4,300,000 in refunding notes. The 2012 refunding notes have a maturity of January 25, 2013. \$4,000,000 of the 2012 refunding notes has been presented as a long-term liability. The remaining \$300,000 has been reported as fund activity.

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

Note 14 - Risk Management

Property and Liability

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

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$6,000,000	-
Annual aggregate	8,000,000	-
Employer's liability	6,000,000	\$25,000
Employee benefits liability:		
Each occurrence	6,000,000	-
Annual aggregate	8,000,000	-
Law enforcement officer's liability:		
Each occurrence	6,000,000	5,000
Annual aggregate	8,000,000	5,000
Public officials liability:		
Each occurrence	6,000,000	25,000
Annual aggregate	8,000,000	25,000
Property (building and contents)	13,875,199	1,000
Boiler and machinery	Included	
Inland marine:		
Special property	1,187,709	1,000
Electronic equipment	150,000	1,000
Automobile coverage:		
Liability	6,000,000	-
Medical payments	-	-

Claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage in any of the past three years.

Workers' Compensation

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

Note 15 - 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

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

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>, by 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 members in State and local divisions. For the year ended December 31, 2012, members in state and local divisions contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. 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 \$319,586, \$239,058 and \$267,932, respectively. For 2012, 88.80 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 \$13,079 made by the City and \$9,343 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.

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 \$220,766 and

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

\$206,698 for the year ended December 31, 2012, \$205,129 and \$198,760 for the year ended December 31, 2011, and \$221,696 and \$201,678 for the year ended December 31, 2010, respectively. For 2012, 74.88 percent for police and 74.66 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 16 – 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>, by 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. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

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 healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

City of Streetsboro, Ohio
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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 \$127,834, \$181,924 and \$152,746, respectively. For 2012, 88.80 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 of OP&F's website at www.op-f.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.

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.

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

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 \$116,876 and \$80,882 for the year ended December 31, 2012, \$108,597 and \$77,775 for the year ended December 31, 2011, and \$117,369 and \$78,917 for the year ended December 31, 2010. For 2012, 74.88 percent has been contributed for police and 74.66 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Note 17 - Interfund Transfers

Interfund transfers for the year ended December 31, 2012, consisted of a transfer from the fire ambulance improvement capital projects fund to the fire department grant special revenue fund in the amount of \$2,598 to provide additional resources for current operations and from the special assessment bond retirement fund to the water enterprise fund in the amount of \$21,761 to help pay for debt.

Note 18 – Significant Commitments

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:

Governmental Funds		Proprietary Funds	
General Fund	\$199,276	Water	<u>\$304,450</u>
General Capital Improvements	134,416		
Nonmajor Funds	71,445		
<i>Total Governmental Funds</i>	<u><u>\$405,137</u></u>		

Note 19 – Subsequent Events

On January 25, 2013, the City issued \$4,000,000 par value bond anticipation notes in order to finance judgments payable as discussed in Note 11. The notes bear an interest rate of 1.15 percent and mature on January 25, 2014.

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Dave Yost • Auditor of State

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

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

To the Honorable Mayor and City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, (the City) as of and for the year ended December 31, 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 July 26, 2013, wherein we noted the City implemented Governmental Accounting Standard 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*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

July 26, 2013