

**CITY OF STREETSBORO
PORTAGE COUNTY, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

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

We have reviewed the Independent Auditor's Report of the City of Streetsboro, Portage County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 12, 2016

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**CITY OF STREETSBORO
PORTAGE COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015**

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JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

To the Members of City Council
City of Streetsboro
Streetsboro, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

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, (City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, and restated its net position at December 31, 2014 for governmental and business-type activities. In addition, the City restated its net position at December 31, 2014 for governmental and business-type activities due to an error in compensated absences. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Streetsboro, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2016, on our consideration of the City of Streetsboro, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Streetsboro, Ohio's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.
Certified Public Accountants

June 10, 2016

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City of Streetsboro
Management's Discussion and Analysis
For the Year Ended December 31, 2015
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, 2015. 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 2015 are as follows:

- The City's net position increased in 2015 due mainly to an increase in net capital assets resulting from current year additions outpacing annual depreciation as well as to a decrease in current liabilities resulting from \$1.38 million of prior year unearned revenue being recognized in 2015.
- The City implemented GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of these GASB statements resulted in a significant change to the financial statements for the City.
- During 2015, the City recognized \$1,384,615 in revenue relating to private capital donations received from Kimble Company for the building of an access road that benefits the company. The earned contributions of \$1,384,615 from Kimble Company were recorded as a special item.
- Capital asset additions included construction in progress, land improvements, building improvements, the purchase of various equipment and vehicles, road/culvert infrastructure improvements and waterline construction projects.
- Long-term debt decreased in 2015 due to annual debt service payments.

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

City of Streetsboro
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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.

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 objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

City of Streetsboro
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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.

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.

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 2015 as they compare to 2014.

City of Streetsboro
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

| (Table 1) | | | | | | |
|---|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
| <i>Net Position</i> | | | | | | |
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Assets | | | | | | |
| Current and Other Assets | \$14,870,315 | \$14,682,272 | \$3,226,064 | \$4,874,558 | \$18,096,379 | \$19,556,830 |
| Capital Assets, Net | 20,829,103 | 17,062,799 | 11,267,276 | 9,044,000 | 32,096,379 | 26,106,799 |
| <i>Total Assets</i> | <u>35,699,418</u> | <u>31,745,071</u> | <u>14,493,340</u> | <u>13,918,558</u> | <u>50,192,758</u> | <u>45,663,629</u> |
| Deferred Outflows of Resources | | | | | | |
| Deferred Charge on Refunding Pension | 29,151 | 36,593 | 0 | 0 | 29,151 | 36,593 |
| | 1,440,878 | 960,293 | 75,063 | 52,988 | 1,515,941 | 1,013,281 |
| <i>Total Deferred Outflows of Resources</i> | <u>1,470,029</u> | <u>996,886</u> | <u>75,063</u> | <u>52,988</u> | <u>1,545,092</u> | <u>1,049,874</u> |
| Liabilities | | | | | | |
| Current Liabilities | 1,219,199 | 2,795,977 | 526,467 | 92,337 | 1,745,666 | 2,888,314 |
| Long-term Liabilities | | | | | | |
| Due within one Year | 774,736 | 855,140 | 160,530 | 154,910 | 935,266 | 1,010,050 |
| Due in More than one Year | | | | | | |
| Net Pension Liability | 10,631,951 | 10,087,270 | 434,405 | 424,593 | 11,066,356 | 10,511,863 |
| Other Amounts | 5,572,852 | 6,285,531 | 3,614,566 | 3,785,293 | 9,187,418 | 10,070,824 |
| <i>Total Liabilities</i> | <u>18,198,738</u> | <u>20,023,918</u> | <u>4,735,968</u> | <u>4,457,133</u> | <u>22,934,706</u> | <u>24,481,051</u> |
| Deferred Inflows of Resources | | | | | | |
| Payments in Lieu of Taxes | 101,738 | 100,000 | 0 | 0 | 101,738 | 100,000 |
| Property Taxes | 1,183,138 | 1,124,230 | 0 | 0 | 1,183,138 | 1,124,230 |
| Pension | 43,246 | 0 | 7,632 | 0 | 50,878 | 0 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,328,122</u> | <u>1,224,230</u> | <u>7,632</u> | <u>0</u> | <u>1,335,754</u> | <u>1,224,230</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 19,596,071 | 15,444,637 | 7,604,961 | 5,138,583 | 27,201,032 | 20,583,220 |
| Restricted for: | | | | | | |
| Capital Projects | 1,113 | 62,326 | 0 | 0 | 1,113 | 62,326 |
| Debt Service | 340,817 | 359,882 | 0 | 0 | 340,817 | 359,882 |
| Other Purposes | 2,171,980 | 2,079,959 | 0 | 0 | 2,171,980 | 2,079,959 |
| Unrestricted | (4,467,394) | (6,452,995) | 2,219,842 | 4,375,830 | (2,247,552) | (2,077,165) |
| <i>Total Net Position</i> | <u>\$17,642,587</u> | <u>\$11,493,809</u> | <u>\$9,824,803</u> | <u>\$9,514,413</u> | <u>\$27,467,390</u> | <u>\$21,008,222</u> |

During 2015, the City adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio’s statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation, coupled with the restatements to vacation benefits payable and compensated absences payable, had the effect of restating net position at December 31, 2014, from \$20,984,741 to \$11,493,809 for governmental activities and from \$9,922,253 to \$9,514,413 for business-type activities.

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 increases in both governmental and business-type net position. Governmental capital assets increased due to additions to construction in progress, land improvements, building improvements, the purchase of various equipment and vehicles and road/culvert infrastructure improvements. Business-type current and other assets decreased due to a decrease in cash and cash equivalents resulting from capital improvement spending on waterline projects. The decrease in governmental current liabilities was due mainly to \$1,384,615 of prior year unearned revenue relating to private donations from Kimble Company being recognized in 2015 as the City performed work towards the construction an access road benefitting the company. Governmental long-term liabilities decreased as a result

City of Streetsboro
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of the continued pay-down of long-term debt obligations. Business-type long-term liabilities decreased due to 2015 debt payments made on general obligation bonds and OWDA loans. 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 2015 and 2014.

(Table 2)
Changes in Net Position

| | Governmental Activities | | Business Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Program Revenues | | | | | | |
| Charges for Services | \$1,017,160 | \$1,241,591 | \$3,179,071 | \$2,668,202 | \$4,196,231 | \$3,909,793 |
| Operating Grants and Contributions | 1,287,411 | 1,061,149 | 0 | 0 | 1,287,411 | 1,061,149 |
| Capital Grants, Contributions and Assessments | 2,072,581 | 827,921 | 400,488 | 136,493 | 2,473,069 | 964,414 |
| <i>Total Program Revenues</i> | <u>4,377,152</u> | <u>3,130,661</u> | <u>3,579,559</u> | <u>2,804,695</u> | <u>7,956,711</u> | <u>5,935,356</u> |
| General Revenues | | | | | | |
| Property Taxes | 1,170,149 | 1,132,021 | 0 | 0 | 1,170,149 | 1,132,021 |
| Income Taxes | 11,754,177 | 10,592,722 | 0 | 0 | 11,754,177 | 10,592,722 |
| Grants and Entitlements | 449,792 | 283,588 | 0 | 0 | 449,792 | 283,588 |
| Payment in Lieu of Taxes | 101,737 | 84,778 | 0 | 0 | 101,737 | 84,778 |
| Hotel/Motel Tax | 630,221 | 626,007 | 0 | 0 | 630,221 | 626,007 |
| Interest | 4,823 | 2,738 | 1,248 | 482 | 6,071 | 3,220 |
| Miscellaneous | 297,773 | 414,749 | 16,666 | 42,067 | 314,439 | 456,816 |
| <i>Total General Revenues</i> | <u>14,408,672</u> | <u>13,136,603</u> | <u>17,914</u> | <u>42,549</u> | <u>14,426,586</u> | <u>13,179,152</u> |
| <i>Total Revenues</i> | <u>18,785,824</u> | <u>16,267,264</u> | <u>3,597,473</u> | <u>2,847,244</u> | <u>22,383,297</u> | <u>19,114,508</u> |
| Program Expenses | | | | | | |
| General Government | 3,865,070 | 3,888,612 | 0 | 0 | 3,865,070 | 3,888,612 |
| Security of Persons and Property | 5,889,489 | 5,773,109 | 0 | 0 | 5,889,489 | 5,773,109 |
| Public Health Services | 17,909 | 48,901 | 0 | 0 | 17,909 | 48,901 |
| Transportation | 1,945,742 | 1,718,243 | 0 | 0 | 1,945,742 | 1,718,243 |
| Community Development | 839,546 | 573,378 | 0 | 0 | 839,546 | 573,378 |
| Basic Utility Services | 796,412 | 862,692 | 0 | 0 | 796,412 | 862,692 |
| Leisure Time Activities | 484,223 | 443,752 | 0 | 0 | 484,223 | 443,752 |
| Interest and Fiscal Charges | 161,545 | 176,605 | 0 | 0 | 161,545 | 176,605 |
| Water | 0 | 0 | 3,309,758 | 2,854,738 | 3,309,758 | 2,854,738 |
| <i>Total Program Expenses</i> | <u>13,999,936</u> | <u>13,485,292</u> | <u>3,309,758</u> | <u>2,854,738</u> | <u>17,309,694</u> | <u>16,340,030</u> |
| Special Item - Capital Donation | 1,384,615 | 0 | 0 | 0 | 1,384,615 | 0 |
| Gain on Sale of Capital Assets | 0 | 0 | 950 | 0 | 950 | 0 |
| Transfers | (21,725) | (21,539) | 21,725 | 21,539 | 0 | 0 |
| <i>Change in Net Position</i> | <u>6,148,778</u> | <u>2,760,433</u> | <u>310,390</u> | <u>14,045</u> | <u>6,459,168</u> | <u>2,774,478</u> |
| <i>Net Position Beginning of Year - Restated</i> | <u>11,493,809</u> | <u>N/A</u> | <u>9,514,413</u> | <u>N/A</u> | <u>21,008,222</u> | <u>N/A</u> |
| <i>Net Position End of Year</i> | <u>\$17,642,587</u> | <u>\$11,493,809</u> | <u>\$9,824,803</u> | <u>\$9,514,413</u> | <u>\$27,467,390</u> | <u>\$21,008,222</u> |

City of Streetsboro
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,013,281 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,111,995. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|--------------|
| Total 2015 program expenses under GASB 68 | \$13,999,936 | \$3,309,758 | \$17,309,694 |
| Pension expense under GASB 68 | (1,064,742) | (47,253) | (1,111,995) |
| 2015 contractually required contribution | 957,400 | 51,884 | 1,009,284 |
| Adjusted 2015 program expenses | 13,892,594 | 3,314,389 | 17,206,983 |
| Total 2014 program expenses under GASB 27 | 13,485,292 | 2,854,738 | 16,340,030 |
| Increase in program expenses not related to pension | \$407,302 | \$459,651 | \$866,953 |

Governmental program revenues increased in 2015 due mainly to an increase in capital grants received by the capital improvements fund for various construction projects. The City continues to seek out additional sources of revenue to ensure the stability of the infrastructure is maintained. Governmental charges for services decreased due mainly to a drop in fees, licenses and permits for building, electrical and plumbing. Income tax revenues increased significantly in 2015 due to higher collections. Total program expenses increased due mainly to increases in transportation for road maintenance and community development relating to CHIP programs.

The City's income tax revenue has provided the City the funds to maintain streets, make infrastructure improvements and strengthen safety forces. The City of Streetsboro continues to be very aggressive in collecting delinquent income tax. The City's diversified base of taxpayers provides the City with an income tax base that can sustain the loss of any major tax paying entity and still be able to meet the financial needs of the City.

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.

Community development expenses increased due to more community housing projects being completed in 2015. Transportation expenses increased from 2014 due to a greater amount of infrastructure costs relating to road maintenance programs being expensed.

City of Streetsboro
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Business-Type Activities

The City operates one business-type activity, the water distribution system. In 2015, this activity generated operating revenues of \$3,196,225. Water operating expenses plus interest and fiscal charges amounted to \$3,309,758 in 2015. There were approximately 4,400 customers as of December 31, 2015. The Water Department bills on a quarterly basis.

The City's Funds

Information about the City's governmental funds begins with the balance sheet. 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 higher income tax revenues as well as to a reduction in expenditures as a result of the City's careful financial planning. The general capital improvement fund had an increase in fund balance due revenues, other financing sources and special item donations outpacing expenditures in the current year.

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 in 2015 due to higher charges for services revenue as well as to the receipt of a \$400,000 Ohio Public Works Commission reimbursement grant.

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 County Budget Commission in accordance with Ohio Revised Code. In 2015, actual revenues for the general fund were greater than final estimated revenues due in large part to higher income tax and fees, licenses and permits revenues collected than expected. The City actively seeks out additional sources of funding to maintain services. Actual expenditures were less than final appropriations due to management's effort to control costs and ensure economic stability going forward.

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 2015, the City amended its general fund budget numerous times, in response to conservative revenue projections being surpassed.

Capital Assets and Long-term Obligations

Capital Assets

Total capital assets for the governmental activities, net of accumulated depreciation increased over the prior year due to annual depreciation being outpaced by capital asset additions consisting of construction in progress, land improvements, building improvements, the purchase of various equipment and vehicles and road/culvert infrastructure improvements.

Total capital assets for the business-type activities, net of accumulated depreciation increased due to capital asset additions consisting of waterline projects exceeding current year depreciation. See Note 7 to the basic financial statements for additional information on capital assets.

City of Streetsboro
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------|----------------------------|---------------------|-----------------------------|--------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$1,908,840 | \$1,908,840 | \$547,386 | \$547,386 | \$2,456,226 | \$2,456,226 |
| Construction-in-progress | 4,002,171 | 625,024 | 0 | 2,418,718 | 4,002,171 | 3,043,742 |
| Land Improvements | 225,902 | 255,077 | 0 | 0 | 225,902 | 255,077 |
| Buildings and Improvements | 3,630,693 | 3,630,461 | 0 | 0 | 3,630,693 | 3,630,461 |
| Furniture and Equipment | 776,669 | 637,254 | 147,241 | 182,363 | 923,910 | 819,617 |
| Vehicles | 1,677,976 | 1,199,217 | 131,605 | 167,661 | 1,809,581 | 1,366,878 |
| Infrastructure - Streets | 8,606,852 | 8,806,926 | 10,441,044 | 5,727,872 | 19,047,896 | 14,534,798 |
| Total Capital Assets | \$20,829,103 | \$17,062,799 | \$11,267,276 | \$9,044,000 | \$32,096,379 | \$26,106,799 |

Long-term Obligations

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|--------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| General Obligation Bonds | \$4,529,806 | \$5,017,352 | \$3,314,648 | \$3,459,727 | \$7,844,454 | \$8,477,079 |
| OWDA Loans | 0 | 0 | 432,315 | 445,690 | 432,315 | 445,690 |
| OPWC Loans | 176,402 | 201,285 | 0 | 0 | 176,402 | 201,285 |
| Tax Incremental Financing Agreement | 1,150,726 | 1,251,132 | 0 | 0 | 1,150,726 | 1,251,132 |
| Judgments Payable | 96,989 | 226,989 | 0 | 0 | 96,989 | 226,989 |
| Capital Lease | 0 | 61,213 | 0 | 0 | 0 | 61,213 |
| Net Pension Liability | 10,631,951 | 10,087,270 | 434,405 | 424,593 | 11,066,356 | 10,511,863 |
| Compensated Absences | 393,665 | 382,700 | 28,133 | 34,786 | 421,798 | 417,486 |
| Total | \$16,979,539 | \$17,227,941 | \$4,209,501 | \$4,364,796 | \$21,189,040 | \$21,592,737 |

Long-term obligations are comprised largely of general obligation bonds, a tax incremental agreement, OWDA loans and OPWC loans. The governmental activities bonds will be paid from the bond retirement fund. The business-type activities bonds will be repaid from the water fund. The OWDA loans are being paid from water enterprise fund user service charges. The OPWC loans are being paid with monies from the capital improvements capital projects fund.

In addition, outstanding obligations include judgments payable, net pension liability and compensated absences. 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 increase in compensated absences was the result of a higher balance of sick and vacation time held by the City's full-time employees.

City of Streetsboro
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The City of Streetsboro's overall legal debt margin was \$52,511,246 on December 31, 2015. For more information about the City's long-term obligations, see Note 10 to the basic financial statements.

Current Financial Issues

From a management and administrative perspective, the City is continuing to examine expenditures to reduce where possible and gain efficiencies as well. Departments are continuing to operate at minimal staffing levels in an effort to reduce overall payroll and benefit costs. Like many other municipalities, the City of Streetsboro faces uncertainty concerning Federal and State revenue sources. The Administration is continually reviewing all programs to determine the most efficient use of funds and resources, to maintain the high level of service to the residents.

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 Jenny Esarey, 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, 2015

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$8,011,278 | \$1,782,437 | \$9,793,715 |
| Materials and Supplies Inventory | 37,142 | 156 | 37,298 |
| Prepaid Items | 6,284 | 0 | 6,284 |
| Accounts Receivable | 347,690 | 811,065 | 1,158,755 |
| Intergovernmental Receivable | 809,628 | 0 | 809,628 |
| Income Taxes Receivable | 3,564,007 | 0 | 3,564,007 |
| Property Taxes Receivable | 1,200,449 | 0 | 1,200,449 |
| Payments in Lieu of Taxes Receivable | 101,738 | 0 | 101,738 |
| Special Assessments Receivable | 241,942 | 632,406 | 874,348 |
| Loans Receivable | 550,157 | 0 | 550,157 |
| Nondepreciable Capital Assets | 5,911,011 | 547,386 | 6,458,397 |
| Depreciable Capital Assets, Net | 14,918,092 | 10,719,890 | 25,637,982 |
| <i>Total Assets</i> | <u>35,699,418</u> | <u>14,493,340</u> | <u>50,192,758</u> |
| Deferred Outflows of Resources | | | |
| Deferred Charge on Refunding Pension | 29,151 | 0 | 29,151 |
| | 1,440,878 | 75,063 | 1,515,941 |
| <i>Total Deferred Outflows of Resources</i> | <u>1,470,029</u> | <u>75,063</u> | <u>1,545,092</u> |
| Liabilities | | | |
| Accounts Payable | 101,573 | 4,682 | 106,255 |
| Accrued Wages | 252,504 | 18,208 | 270,712 |
| Contracts Payable | 17,434 | 327,619 | 345,053 |
| Intergovernmental Payable | 323,374 | 127,940 | 451,314 |
| Unearned Revenue | 115,385 | 0 | 115,385 |
| Accrued Interest Payable | 12,568 | 10,679 | 23,247 |
| Vacation Benefits Payable | 396,361 | 37,339 | 433,700 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 774,736 | 160,530 | 935,266 |
| Due In More Than One Year: | | | |
| Net Pension Liability (See Note 13) | 10,631,951 | 434,405 | 11,066,356 |
| Other Amounts | 5,572,852 | 3,614,566 | 9,187,418 |
| <i>Total Liabilities</i> | <u>18,198,738</u> | <u>4,735,968</u> | <u>22,934,706</u> |
| Deferred Inflows of Resources | | | |
| Payments in Lieu of Taxes | 101,738 | 0 | 101,738 |
| Property Taxes | 1,183,138 | 0 | 1,183,138 |
| Pension | 43,246 | 7,632 | 50,878 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,328,122</u> | <u>7,632</u> | <u>1,335,754</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 19,596,071 | 7,604,961 | 27,201,032 |
| Restricted for: | | | |
| Capital Projects | 1,113 | 0 | 1,113 |
| Debt Service | 340,817 | 0 | 340,817 |
| Other Purposes | 2,171,980 | 0 | 2,171,980 |
| Unrestricted (Deficit) | (4,467,394) | 2,219,842 | (2,247,552) |
| <i>Total Net Position</i> | <u>\$17,642,587</u> | <u>\$9,824,803</u> | <u>\$27,467,390</u> |

See accompanying notes to the basic financial statements

City of Streetsboro, Ohio
Statement of Activities
For the Year Ended December 31, 2015

| | Program Revenues | | | |
|--------------------------------------|---------------------|-------------------------|---------------------------------------|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants, Contributions and Assessments |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| General Government | \$3,865,070 | \$225,100 | \$0 | \$2,647 |
| Security of Persons and Property | 5,889,489 | 598,297 | 76,244 | 46,000 |
| Public Health Services | 17,909 | 0 | 0 | 0 |
| Transportation | 1,945,742 | 0 | 961,417 | 2,023,934 |
| Community Development | 839,546 | 28,864 | 249,750 | 0 |
| Basic Utility Services | 796,412 | 41,657 | 0 | 0 |
| Leisure Time Activities | 484,223 | 123,242 | 0 | 0 |
| Interest and Fiscal Charges | 161,545 | 0 | 0 | 0 |
| <i>Total Governmental Activities</i> | 13,999,936 | 1,017,160 | 1,287,411 | 2,072,581 |
| Business-Type Activities: | | | | |
| Water | 3,309,758 | 3,179,071 | 0 | 400,488 |
| <i>Total - Primary Government</i> | <u>\$17,309,694</u> | <u>\$4,196,231</u> | <u>\$1,287,411</u> | <u>\$2,473,069</u> |

General Revenues

Property Taxes Levied for:
General Purposes
General Obligation Bond Retirement
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
Hotel/Motel Taxes
Interest
Other

Total General Revenues

Special Item - Capital Donation
Gain on Sale of Capital Assets
Transfers

Total General Revenues, Special Item and Transfers

Change in Net Position

Net Position Beginning of Year - Restated (See Note 16)

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 |
| (\$3,637,323) | \$0 | (\$3,637,323) |
| (5,168,948) | 0 | (5,168,948) |
| (17,909) | 0 | (17,909) |
| 1,039,609 | 0 | 1,039,609 |
| (560,932) | 0 | (560,932) |
| (754,755) | 0 | (754,755) |
| (360,981) | 0 | (360,981) |
| (161,545) | 0 | (161,545) |
| (9,622,784) | 0 | (9,622,784) |
| 0 | 269,801 | 269,801 |
| (9,622,784) | 269,801 | (9,352,983) |
| 766,649 | 0 | 766,649 |
| 282,447 | 0 | 282,447 |
| 121,053 | | 121,053 |
| 9,201,758 | 0 | 9,201,758 |
| 232,039 | 0 | 232,039 |
| 2,320,380 | 0 | 2,320,380 |
| 449,792 | 0 | 449,792 |
| 101,737 | 0 | 101,737 |
| 630,221 | 0 | 630,221 |
| 4,823 | 1,248 | 6,071 |
| 297,773 | 16,666 | 314,439 |
| 14,408,672 | 17,914 | 14,426,586 |
| 1,384,615 | 0 | 1,384,615 |
| 0 | 950 | 950 |
| (21,725) | 21,725 | 0 |
| 15,771,562 | 40,589 | 15,812,151 |
| 6,148,778 | 310,390 | 6,459,168 |
| 11,493,809 | 9,514,413 | 21,008,222 |
| <u>\$17,642,587</u> | <u>\$9,824,803</u> | <u>\$27,467,390</u> |

City of Streetsboro, Ohio

Balance Sheet

Governmental Funds

December 31, 2015

| | General | General Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|------------------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and | | | | |
| Cash Equivalents | \$4,307,278 | \$1,369,212 | \$2,331,846 | \$8,008,336 |
| Materials and Supplies Inventory | 11,911 | 0 | 25,231 | 37,142 |
| Accounts Receivable | 190,709 | 0 | 156,981 | 347,690 |
| Intergovernmental Receivable | 223,456 | 109,134 | 477,038 | 809,628 |
| Prepaid Items | 6,284 | 0 | 0 | 6,284 |
| Income Taxes Receivable | 2,779,923 | 712,803 | 71,281 | 3,564,007 |
| Property Taxes Receivable | 786,501 | 0 | 413,948 | 1,200,449 |
| Payments in Lieu of Taxes Receivable | 0 | 0 | 101,738 | 101,738 |
| Loans Receivable | 0 | 0 | 550,157 | 550,157 |
| Special Assessments Receivable | 0 | 52,954 | 188,988 | 241,942 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and | | | | |
| Cash Equivalents | 2,942 | 0 | 0 | 2,942 |
| <i>Total Assets</i> | <u>\$8,309,004</u> | <u>\$2,244,103</u> | <u>\$4,317,208</u> | <u>\$14,870,315</u> |
| Liabilities | | | | |
| Accounts Payable | \$51,533 | \$11,739 | \$38,301 | \$101,573 |
| Accrued Wages | 237,811 | 0 | 14,693 | 252,504 |
| Contracts Payable | 4,567 | 12,867 | 0 | 17,434 |
| Intergovernmental Payable | 256,936 | 60,855 | 5,583 | 323,374 |
| Unearned Revenue | 0 | 115,385 | 0 | 115,385 |
| <i>Total Liabilities</i> | <u>550,847</u> | <u>200,846</u> | <u>58,577</u> | <u>810,270</u> |
| Deferred Inflows of Resources | | | | |
| Payments in Lieu of Taxes | 0 | 0 | 101,738 | 101,738 |
| Property Taxes | 775,159 | 0 | 407,979 | 1,183,138 |
| Unavailable Revenue | 1,685,107 | 429,362 | 697,859 | 2,812,328 |
| <i>Total Deferred Inflows of Resources</i> | <u>2,460,266</u> | <u>429,362</u> | <u>1,207,576</u> | <u>4,097,204</u> |
| Fund Balances | | | | |
| Nonspendable | 21,137 | 0 | 25,231 | 46,368 |
| Restricted | 0 | 0 | 2,422,229 | 2,422,229 |
| Committed | 86,696 | 1,613,895 | 603,595 | 2,304,186 |
| Assigned | 304,120 | 0 | 0 | 304,120 |
| Unassigned | 4,885,938 | 0 | 0 | 4,885,938 |
| <i>Total Fund Balances</i> | <u>5,297,891</u> | <u>1,613,895</u> | <u>3,051,055</u> | <u>9,962,841</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$8,309,004</u> | <u>\$2,244,103</u> | <u>\$4,317,208</u> | <u>\$14,870,315</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, 2015*

| | |
|--|----------------------------|
| Total Governmental Fund Balances | \$9,962,841 |
| <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. | 20,829,103 |
| 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 | 17,311 |
| Income Taxes | 1,882,037 |
| Charges for Services | 212,564 |
| Special Assessments | 241,942 |
| Intergovernmental | 458,474 |
| <hr/> | |
| Total | 2,812,328 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | (12,568) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds. | |
| Deferred Outflows - Pension | 1,440,878 |
| Deferred Inflows - Pension | (43,246) |
| Net Pension Liability | (10,631,951) |
| <hr/> | |
| Total | (9,234,319) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | |
| General Obligation Bonds | (4,529,806) |
| OPWC Loans Payable | (176,402) |
| Tax Incremental Financing Agreement | (1,150,726) |
| Judgments Payable | (96,989) |
| Compensated Absences | (393,665) |
| Vacation Benefits Payable | (396,361) |
| Deferred Charge on Refunding | 29,151 |
| <hr/> | |
| Total | (6,714,798) |
| <hr/> | |
| <i>Net Position of Governmental Activities</i> | <u><u>\$17,642,587</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, 2015

| | General | General Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|------------------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Property Taxes | \$757,227 | \$0 | \$398,541 | \$1,155,768 |
| Income Taxes | 9,057,993 | 2,283,517 | 228,352 | 11,569,862 |
| Special Assessments | 0 | 5,331 | 20,346 | 25,677 |
| Payment In Lieu of Taxes | 0 | 0 | 101,737 | 101,737 |
| Hotel/Motel Tax | 481,850 | 0 | 148,371 | 630,221 |
| Intergovernmental | 333,382 | 2,008,934 | 1,251,670 | 3,593,986 |
| Interest | 3,415 | 0 | 1,408 | 4,823 |
| Fees, Licenses and Permits | 131,650 | 0 | 23,400 | 155,050 |
| Fines and Forfeitures | 70,835 | 0 | 26,844 | 97,679 |
| Rentals | 0 | 0 | 1,010 | 1,010 |
| Charges for Services | 167,885 | 0 | 341,469 | 509,354 |
| Contributions and Donations | 0 | 61,000 | 47,404 | 108,404 |
| Cable Franchise Fees | 269,191 | 0 | 0 | 269,191 |
| Other | 238,306 | 4,846 | 54,621 | 297,773 |
| <i>Total Revenues</i> | <u>11,511,734</u> | <u>4,363,628</u> | <u>2,645,173</u> | <u>18,520,535</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 3,634,183 | 0 | 160,957 | 3,795,140 |
| Security of Persons and Property | 5,135,942 | 0 | 173,712 | 5,309,654 |
| Public Health Services | 0 | 0 | 19,660 | 19,660 |
| Leisure Time Activities | 305,218 | 0 | 111,800 | 417,018 |
| Community Development | 460,499 | 0 | 385,220 | 845,719 |
| Transportation | 0 | 0 | 787,212 | 787,212 |
| Basic Utility Services | 672,261 | 0 | 0 | 672,261 |
| Capital Outlay | 0 | 4,921,328 | 710,493 | 5,631,821 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 216,096 | 580,406 | 796,502 |
| Interest and Fiscal Charges | 0 | 2,037 | 160,412 | 162,449 |
| <i>Total Expenditures</i> | <u>10,208,103</u> | <u>5,139,461</u> | <u>3,089,872</u> | <u>18,437,436</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>1,303,631</u> | <u>(775,833)</u> | <u>(444,699)</u> | <u>83,099</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 15,438 | 0 | 0 | 15,438 |
| Transfers Out | 0 | 0 | (21,725) | (21,725) |
| <i>Total Other Financing Sources (Uses)</i> | <u>15,438</u> | <u>0</u> | <u>(21,725)</u> | <u>(6,287)</u> |
| Special Item | | | | |
| Capital Donation - Philipp Parkway Access Road | 0 | 1,384,615 | 0 | 1,384,615 |
| <i>Net Change in Fund Balances</i> | 1,319,069 | 608,782 | (466,424) | 1,461,427 |
| <i>Fund Balances Beginning of Year</i> | <u>3,978,822</u> | <u>1,005,113</u> | <u>3,517,479</u> | <u>8,501,414</u> |
| <i>Fund Balances End of Year</i> | <u>\$5,297,891</u> | <u>\$1,613,895</u> | <u>\$3,051,055</u> | <u>\$9,962,841</u> |

See accompanying notes to the basic financial statements

City of Streetsboro, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2015*

Net Change in Fund Balances - Total Governmental Funds \$1,461,427

*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 | 5,047,089 | |
| Current Year Depreciation | (1,243,965) | |
| | | |
| Total | | 3,803,124 |

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (36,820)

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

| | | |
|---------------------------|----------|---------|
| Delinquent Property Taxes | 14,381 | |
| Income Taxes | 184,315 | |
| Intergovernmental | 104,747 | |
| Charges for Services | (15,124) | |
| Special Assessments | (23,030) | |
| | | |
| Total | | 265,289 |

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 957,400

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,064,742)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 796,502

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 | 800 | |
| Amortization of Premium | 7,546 | |
| Amortization of Deferred Charge on Refunding | (7,442) | |
| | | |
| Total | | 904 |

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

| | | |
|---------------------------|----------|----------|
| Compensated Absences | (10,965) | |
| Vacation Benefits Payable | (23,341) | |
| | | |
| Total | | (34,306) |

Change in Net Position of Governmental Activities \$6,148,778

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, 2015

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| Property Taxes | \$712,298 | \$728,075 | \$757,227 | \$29,152 |
| Income Taxes | 8,575,483 | 8,765,425 | 9,047,321 | 281,896 |
| Hotel/Motel Taxes | 440,249 | 450,000 | 444,612 | (5,388) |
| Intergovernmental | 263,342 | 269,175 | 265,383 | (3,792) |
| Interest | 1,467 | 1,500 | 3,415 | 1,915 |
| Fees, Licenses and Permits | 151,984 | 155,350 | 210,086 | 54,736 |
| Fines and Forfeitures | 97,491 | 99,650 | 70,835 | (28,815) |
| Charges for Services | 182,752 | 186,800 | 181,933 | (4,867) |
| Cable Franchise Fees | 213,765 | 218,500 | 216,241 | (2,259) |
| Other | 234,758 | 239,958 | 238,318 | (1,640) |
| <i>Total Revenues</i> | <u>10,873,589</u> | <u>11,114,433</u> | <u>11,435,371</u> | <u>320,938</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 4,474,638 | 4,329,383 | 4,024,611 | 304,772 |
| Security of Persons and Property | 5,200,963 | 5,443,609 | 5,166,932 | 276,677 |
| Leisure Time Activities | 322,511 | 335,661 | 310,121 | 25,540 |
| Community Development | 564,074 | 556,532 | 506,019 | 50,513 |
| Basic Utility Services | 723,101 | 742,945 | 674,026 | 68,919 |
| <i>Total Expenditures</i> | <u>11,285,287</u> | <u>11,408,130</u> | <u>10,681,709</u> | <u>726,421</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (411,698) | (293,697) | 753,662 | 1,047,359 |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 0 | 0 | 15,438 | 15,438 |
| <i>Net Change in Fund Balance</i> | (411,698) | (293,697) | 769,100 | 1,062,797 |
| <i>Fund Balance Beginning of Year</i> | 2,673,996 | 2,673,996 | 2,673,996 | 0 |
| Prior Year Encumbrances Appropriated | 441,297 | 441,297 | 441,297 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$2,703,595</u> | <u>\$2,821,596</u> | <u>\$3,884,393</u> | <u>\$1,062,797</u> |

See accompanying notes to the basic financial statements

City of Streetsboro, Ohio
Statement of Fund Net Position
Enterprise Fund
December 31, 2015

| | Water |
|--|-------------|
| Assets | |
| <i>Current Assets:</i> | |
| Equity in Pooled Cash and Cash Equivalents | \$1,782,437 |
| Materials and Supplies Inventory | 156 |
| Receivables: | |
| Accounts | 811,065 |
| Special Assessments | 632,406 |
| <i>Total Current Assets</i> | 3,226,064 |
| <i>Noncurrent Assets:</i> | |
| <i>Capital Assets:</i> | |
| Nondepreciable Capital Assets | 547,386 |
| Depreciable Capital Assets, Net | 10,719,890 |
| <i>Total Noncurrent Assets</i> | 11,267,276 |
| <i>Total Assets</i> | 14,493,340 |
| Deferred Outflows of Resources | |
| Pension | 75,063 |
| Liabilities | |
| <i>Current Liabilities:</i> | |
| Accounts Payable | 4,682 |
| Accrued Wages | 18,208 |
| Contracts Payable | 327,619 |
| Intergovernmental Payable | 127,940 |
| Accrued Interest Payable | 10,679 |
| Vacation Benefits Payable | 37,339 |
| General Obligation Bonds Payable | 145,000 |
| OWDA Loans Payable | 14,054 |
| Compensated Absences Payable | 1,476 |
| <i>Total Current Liabilities</i> | 686,997 |
| <i>Long-Term Liabilities (net of current portion):</i> | |
| General Obligation Bonds Payable | 3,169,648 |
| OWDA Loans Payable | 418,261 |
| Compensated Absences Payable | 26,657 |
| Net Pension Liability | 434,405 |
| <i>Total Long-Term Liabilities</i> | 4,048,971 |
| <i>Total Liabilities</i> | 4,735,968 |
| Deferred Inflows of Resources | |
| Pension | 7,632 |
| Net Position | |
| Net Investment in Capital Assets | 7,604,961 |
| Unrestricted | 2,219,842 |
| <i>Total Net Position</i> | \$9,824,803 |

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, 2015*

| | Water |
|---|-------------|
| Operating Revenues | |
| Charges for Services | \$3,179,071 |
| Special Assessments | 488 |
| Other | 16,666 |
| <i>Total Operating Revenues</i> | 3,196,225 |
| Operating Expenses | |
| Personal Services | 486,289 |
| Fringe Benefits | 240,907 |
| Materials and Supplies | 60,408 |
| Contractual Services | 1,853,521 |
| Depreciation | 518,412 |
| Other | 2,420 |
| <i>Total Operating Expenses</i> | 3,161,957 |
| <i>Operating Income (Loss)</i> | 34,268 |
| Non-Operating Revenues (Expenses) | |
| Interest | 1,248 |
| Interest and Fiscal Charges | (147,801) |
| Gain on Sale of Capital Assets | 950 |
| <i>Total Non-Operating Revenues (Expenses)</i> | (145,603) |
| <i>Income (Loss) before Capital Contributions and Transfers</i> | (111,335) |
| Capital Contributions | 400,000 |
| Transfers In | 21,725 |
| <i>Change in Net Position</i> | 310,390 |
| <i>Net Position Beginning of Year - Restated (See Note 16)</i> | 9,514,413 |
| <i>Net Position End of Year</i> | \$9,824,803 |

See accompanying notes to the basic financial statements

City of Streetsboro, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2015

| | Water |
|---|-------------|
| Increase (Decrease) in Cash and Cash Equivalents | |
| Cash Flows from Operating Activities | |
| Cash Received from Customers | \$3,151,406 |
| Special Assessments | 39,609 |
| Other Cash Receipts | 16,666 |
| Cash Payments to Employees for Services | (740,600) |
| Cash Payments for Goods and Services | (1,477,601) |
| Other Cash Payments | (2,420) |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | 987,060 |
| Cash Flows from Capital and Related Financing Activities | |
| Capital Contributions | 400,000 |
| Proceeds from Sale of Capital Assets | 950 |
| Principal Paid on General Obligation Bonds | (140,000) |
| Interest Paid on General Obligation Bonds | (130,950) |
| Principal Paid on OWDA Loans | (6,150) |
| Interest Paid on OWDA Loans | (7,664) |
| Payments for Capital Acquisitions | (2,741,688) |
| <i>Net Cash Provided by (Used for)</i> <i>Capital and Related Financing Activities</i> | (2,625,502) |
| Cash Flows from Investing Activities | |
| Interest on Investments | 1,248 |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | (1,637,194) |
| <i>Cash and Cash Equivalents Beginning of Year</i> | 3,419,631 |
| <i>Cash and Cash Equivalents End of Year</i> | \$1,782,437 |

(continued)

City of Streetsboro, Ohio
Statement of Cash Flows
Enterprise Fund (continued)
For the Year Ended December 31, 2015

| | Water |
|--|-----------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities | |
| Operating Income (Loss) | \$34,268 |
| Adjustments: | |
| Depreciation | 518,412 |
| <i>(Increase) Decrease in Assets:</i> | |
| Accounts Receivable | (27,665) |
| Materials and Supplies Inventory | (156) |
| Special Assessments | 39,121 |
| (Increase) Decrease in Deferred Outflows - Pension | 6,898 |
| <i>Increase (Decrease) in Liabilities:</i> | |
| Accounts Payable | 2,631 |
| Contracts Payable | 313,163 |
| Accrued Wages | (2,663) |
| Vacation Benefits Payable | 653 |
| Compensated Absences Payable | (6,653) |
| Intergovernmental Payable | 120,580 |
| Net Pension Liability | (8,008) |
| Increase (Decrease) in Deferred Inflows - Pension | (3,521) |
| <i>Total Adjustments</i> | 952,792 |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | \$987,060 |

Noncash Capital and Related Financing Activities

During 2015, the Special Assessment bond retirement fund paid \$7,225 in principal and \$14,500 in interest on an Ohio Water Development loan for the water enterprise fund.

See accompanying notes to the basic financial statements

City of Streetsboro, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2015

| | |
|--|-------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$126,835</u></u> |
| Liabilities | |
| Undistributed Monies | <u><u>\$126,835</u></u> |

See accompanying notes to the basic financial statements

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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, 2015

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

General Capital Improvements Fund - The capital improvement fund accounts for and reports 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:

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.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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

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.

Unearned Revenue Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because the amounts have not yet been earned. The City recognizes unearned revenue for the monies provided from Kimble Company for the building of an access road that benefits the company.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On 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 are reported in the government-wide statement of net position for deferred charges on refunding and for pension. 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. The deferred outflows of resources related to pension are explained in Note 13.

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 until that time. For the City, deferred inflows of resources include payments in lieu of taxes, property taxes, pension 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, 2015, but which were levied to finance 2016 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, charges for services, special assessments and intergovernmental grants. These amounts are deferred and recognized as revenue in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government – wide statement of net position (See Note 13).

Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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.

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 2015, investments were limited to STAR Ohio (State Treasury Asset Reserve of Ohio) and money market accounts.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. The fair value of the money market fund is determined by the fund's current share price.

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, 2015.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2015 amounted to \$3,415 of which \$743 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, 2015, 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 position 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.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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 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 are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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 - 10 years | 5 years |
| Infrastructure - Water Lines | N/A | 30 years |
| Infrastructure - Streets | 25 years | N/A |

The City's reported infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, and water and sewer lines and includes infrastructure acquired prior to December 31, 1980.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

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.

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.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability 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.

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) 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.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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 streets, police and fire.

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.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. During 2015, the City recognized \$1,384,615 in revenue relating to private donations received from Kimble Company for the building of an access road that benefits the company. The earned contributions of \$1,384,615 from Kimble Company were recorded as a special item.

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 Finance Director. The amounts reported as the original and final budgeted

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were enacted by Council.

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

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).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the general fund is as follows:

| | |
|--|-------------------------|
| | <u>General</u> |
| GAAP Basis | \$1,319,069 |
| Net Adjustment for Revenue Accruals | (76,363) |
| Net Adjustment for Expenditures Accruals | (47,779) |
| Encumbrances | <u>(425,827)</u> |
| Budget Basis | <u><u>\$769,100</u></u> |

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Note 4 - 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 Capital Improvements | Other Governmental Funds | Total |
|-----------------------------------|--------------------|------------------------------------|--------------------------------|--------------------|
| <i>Nonspendable</i> | | | | |
| Prepays | \$6,284 | \$0 | \$0 | \$6,284 |
| Unclaimed Monies | 2,942 | 0 | 0 | 2,942 |
| Inventory | 11,911 | 0 | 25,231 | 37,142 |
| <i>Total Nonspendable</i> | 21,137 | 0 | 25,231 | 46,368 |
| <i>Restricted for</i> | | | | |
| General Government | 0 | 0 | 92,507 | 92,507 |
| Public Safety | 0 | 0 | 270,353 | 270,353 |
| Street Maintenance | 0 | 0 | 567,703 | 567,703 |
| Community Development | 0 | 0 | 869,517 | 869,517 |
| Public Health and Welfare | 0 | 0 | 82,670 | 82,670 |
| Debt Service Payments | 0 | 0 | 538,366 | 538,366 |
| Capital Improvements | 0 | 0 | 1,113 | 1,113 |
| <i>Total Restricted</i> | 0 | 0 | 2,422,229 | 2,422,229 |
| <i>Committed to</i> | | | | |
| Capital Improvements | 0 | 1,613,895 | 476,600 | 2,090,495 |
| Recreation | 0 | 0 | 109,170 | 109,170 |
| Bureau of Workers' Compensation | | | | |
| Retrospective Claims | 72,473 | 0 | 0 | 72,473 |
| Contract Services | 14,223 | 0 | 0 | 14,223 |
| Litter Programs | 0 | 0 | 329 | 329 |
| Senior Services | 0 | 0 | 4,630 | 4,630 |
| City Beautification Programs | 0 | 0 | 12,866 | 12,866 |
| <i>Total Committed</i> | 86,696 | 1,613,895 | 603,595 | 2,304,186 |
| <i>Assigned to</i> | | | | |
| Purchases on Order: | | | | |
| Personal Services | 79,132 | 0 | 0 | 79,132 |
| Contractual Services | 73,102 | 0 | 0 | 73,102 |
| Materials and Supplies | 151,886 | 0 | 0 | 151,886 |
| <i>Total Assigned</i> | 304,120 | 0 | 0 | 304,120 |
| <i>Unassigned</i> | 4,885,938 | 0 | 0 | 4,885,938 |
| <i>Total Fund Balances</i> | \$5,297,891 | \$1,613,895 | \$3,051,055 | \$9,962,841 |

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Note 5 - 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.

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 if training requirements have been met.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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.

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, \$4,141,013 of the City's bank balance of \$4,642,763 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, 2015, the City had the following investments:

| | Fair Value | Maturity | Standard and Poor's Rating | Percent of Total Investments |
|-----------------------|--------------------|--------------------|----------------------------------|------------------------------------|
| Star Ohio | \$4,618,127 | Average 49.4 days | AAAm | 82.20 % |
| Money Market Accounts | 999,789 | Less than one year | AAA | 17.80 |
| Total Portfolio | <u>\$5,617,916</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.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. 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.

Note 6 - Receivables

Receivables at December 31, 2015, 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.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes were levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$2.90 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

| <u>Category</u> | <u>Assessed Value</u> |
|----------------------------|-----------------------------|
| Real Estate | |
| Residential/Agricultural | \$261,561,320 |
| Other Real Estate | 160,554,350 |
| Tangible Personal Property | |
| Public Utility | 8,553,040 |
| Total Assessed Values | <u><u>\$430,668,710</u></u> |

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of 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, City residents are required to pay tax on income earned outside of the City. The City allows a credit of one hundred percent for income tax paid to another municipality, not to exceed two percent of taxable income. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City Ordinance, effective January 1, 2012, seventy-eight percent of income tax proceeds were credited to the general fund, twenty percent of income tax proceeds were credited to the capital improvement capital projects fund, and two percent were credited to the debt service (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 | \$307,148 |
| Permissive Tax | 129,241 |
| Ohio Department of Transportation Grant | 109,134 |
| Estate Tax | 94,031 |
| Local Government | 91,837 |
| Homestead and Rollback | 57,371 |
| Personal Property Tax & Public Utility Reimbursement | 20,866 |
| Total | \$809,628 |

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Note 7 - Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

| | Balance 12/31/2014 | Additions | Deductions | Balance 12/31/2015 |
|--|-----------------------|---------------|------------|-----------------------|
| Governmental Activities | | | | |
| <i>Capital Assets not being Depreciated:</i> | | | | |
| Land | \$1,908,840 | \$0 | \$0 | \$1,908,840 |
| Construction in Progress | 625,024 | 3,385,304 | (8,157) | 4,002,171 |
| Total Capital Assets not being Depreciated | 2,533,864 | 3,385,304 | (8,157) | 5,911,011 |
| <i>Capital Assets being Depreciated:</i> | | | | |
| Land Improvements | 1,142,703 | 6,706 | 0 | 1,149,409 |
| Buildings and Improvements | 5,978,719 | 138,346 | 0 | 6,117,065 |
| Furniture and Equipment | 3,297,363 | 267,638 | 0 | 3,565,001 |
| Vehicles | 4,948,980 | 868,858 | (351,682) | 5,466,156 |
| Infrastructure | 12,061,444 | 388,394 | 0 | 12,449,838 |
| Total Capital Assets being Depreciated | 27,429,209 | 1,669,942 | (351,682) | 28,747,469 |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Land Improvements | (887,626) | (35,881) | 0 | (923,507) |
| Buildings and Improvements | (2,348,258) | (138,114) | 0 | (2,486,372) |
| Furniture and Equipment | (2,660,109) | (128,223) | 0 | (2,788,332) |
| Vehicles | (3,749,763) | (353,279) | 314,862 | (3,788,180) |
| Infrastructure | (3,254,518) | (588,468) | 0 | (3,842,986) |
| Total Accumulated Depreciation | (12,900,274) | (1,243,965) * | 314,862 | (13,829,377) |
| Total Capital Assets being Depreciated, Net | 14,528,935 | 425,977 | (36,820) | 14,918,092 |
| Governmental Activities Capital Assets, Net | \$17,062,799 | \$3,811,281 | (\$44,977) | \$20,829,103 |

*Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------------|-------------|
| General Government | \$69,167 |
| Security of Persons and Property | 380,054 |
| Public Health Services | 3,849 |
| Transportation | 566,330 |
| Community Development | 25,486 |
| Basic Utility Services | 143,437 |
| Leisure Time Activities | 55,642 |
| Total Depreciation Expense | \$1,243,965 |

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

| | Balance 12/31/2014 | Additions | Deductions | Balance 12/31/2015 |
|--|-----------------------|--------------------|----------------------|-----------------------|
| Business Type Activities: | | | | |
| <i>Capital Assets not being Depreciated:</i> | | | | |
| Land | \$547,386 | \$0 | \$0 | \$547,386 |
| Construction in Progress | 2,418,718 | 2,736,288 | (5,155,006) | 0 |
| Total Capital Assets not being Depreciated | 2,966,104 | 2,736,288 | (5,155,006) | 547,386 |
| <i>Capital Assets being Depreciated:</i> | | | | |
| Furniture and Equipment | 850,450 | 5,400 | (130,900) | 724,950 |
| Vehicles | 380,555 | 0 | (20,000) | 360,555 |
| Infrastructure | 11,637,031 | 5,155,006 | 0 | 16,792,037 |
| Total Capital Assets being Depreciated | 12,868,036 | 5,160,406 | (150,900) | 17,877,542 |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Furniture and Equipment | (668,087) | (40,522) | 130,900 | (577,709) |
| Vehicles | (212,894) | (36,056) | 20,000 | (228,950) |
| Infrastructure | (5,909,159) | (441,834) | 0 | (6,350,993) |
| Total Accumulated Depreciation | (6,790,140) | (518,412) | 150,900 | (7,157,652) |
| Total Capital Assets being Depreciated, Net | 6,077,896 | 4,641,994 | 0 | 10,719,890 |
| Business Type Activities Capital Assets, Net | <u>\$9,044,000</u> | <u>\$7,378,282</u> | <u>(\$5,155,006)</u> | <u>\$11,267,276</u> |

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. Vacation leave benefits are lost at year end if employees do not use these balances during the year unless prior approval has been obtained from the department head. 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 1,200 hours for firefighters and 960 hours for all other employees, provided the employee has ten or more years' service with the City prior to the date of retirement or death.

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 on the financial condition of the City.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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, 2015.

Note 10 - 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: | | | |
| 2013 Various Purpose General Obligation Bond | | | |
| Serial | 2.0-4.75% | \$2,970,000 | 2030 |
| Term | 5.00 | 505,000 | 2032 |
| OWDA - Briar Root Manor Waterline | 5.01 | 482,065 | 2034 |
| Governmental Activities: | | | |
| 2010 Limited Tax General Obligation Refunding Bonds | 1.50-2.75 | 2,880,000 | 2019 |
| 2013 Various Purpose General Obligation Bond - Serial | 2.0-4.75 | 3,670,000 | 2030 |
| <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 |
| Seasons Road | 0.00 | 179,309 | 2030 |
| Tax Incremental Financing Agreement | 0.00 | 2,204,109 | 2020 |
| Judgments | 0.00 | 616,989 | 2016 |

A schedule of changes in bonds and other long-term obligations of the City during 2015 follows:

| | Amount | | Amount | | Amounts |
|---|---------------------------|-----------------|--------------------|---------------------------|--------------------|
| | Outstanding 12/31/2014 | Additions | Deletions | Outstanding 12/31/2015 | Due In One Year |
| Business-Type Activities: | | | | | |
| 2013 Various Purpose General Obligation Bond | | | | | |
| Serial | \$2,865,000 | \$0 | (\$140,000) | \$2,725,000 | \$145,000 |
| Term | 505,000 | 0 | 0 | 505,000 | 0 |
| Premium | 89,727 | 0 | (5,079) | 84,648 | 0 |
| Total General Obligation Bonds | 3,459,727 | 0 | (145,079) | 3,314,648 | 145,000 |
| OWDA Briar Root Manor Waterline | 445,690 | 0 | (13,375) | 432,315 | 14,054 |
| Net Pension Liability - OPERS | 424,593 | 9,812 | 0 | 434,405 | 0 |
| Compensated Absences | 34,786 | 3,698 | (10,351) | 28,133 | 1,476 |
| <i>Total Business-Type Activities Obligations</i> | <u>\$4,364,796</u> | <u>\$13,510</u> | <u>(\$168,805)</u> | <u>\$4,209,501</u> | <u>\$160,530</u> |

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

| | Amount Outstanding 12/31/2014 | Additions | Deletions | Amount Outstanding 12/31/2015 | Amounts Due In One Year |
|---|-------------------------------------|------------------|--------------------|-------------------------------------|-------------------------------|
| Governmental Activities Obligations: | | | | | |
| 2010 Limited Tax General Obligation Refunding Bonds | | | | | |
| Serial | \$1,385,000 | \$0 | (\$305,000) | \$1,080,000 | \$310,000 |
| Premium | 7,257 | 0 | (1,476) | 5,781 | 0 |
| 2013 Various Purpose General Obligation Bond | | | | | |
| Serial | 3,530,000 | 0 | (175,000) | 3,355,000 | 180,000 |
| Premium | 95,095 | 0 | (6,070) | 89,025 | 0 |
| Total General Obligation Bonds | <u>5,017,352</u> | <u>0</u> | <u>(487,546)</u> | <u>4,529,806</u> | <u>490,000</u> |
| <i>Ohio Public Works Commission Loans</i> | | | | | |
| Aurora Hudson and Wellman | 15,078 | 0 | (6,031) | 9,047 | 6,031 |
| State Route 303 Superior and Mount Vernon | 6,898 | 0 | (6,898) | 0 | 0 |
| Seasons Road | 179,309 | 0 | (11,954) | 167,355 | 11,954 |
| Total Ohio Public Works Commission Loans | <u>201,285</u> | <u>0</u> | <u>(24,883)</u> | <u>176,402</u> | <u>17,985</u> |
| <i>Other Long-term Obligations</i> | | | | | |
| Net Pension Liability | | | | | |
| OPERS | 2,406,030 | 55,600 | 0 | 2,461,630 | 0 |
| OP&F | 7,681,240 | 489,081 | 0 | 8,170,321 | 0 |
| Total Net Pension Liability | <u>10,087,270</u> | <u>544,681</u> | <u>0</u> | <u>10,631,951</u> | <u>0</u> |
| Tax Incremental Financing Agreement | 1,251,132 | 0 | (100,406) | 1,150,726 | 100,000 |
| Judgments | 226,989 | 0 | (130,000) | 96,989 | 96,989 |
| Capital Lease | 61,213 | 0 | (61,213) | 0 | 0 |
| Compensated Absences | 382,700 | 104,204 | (93,239) | 393,665 | 69,762 |
| Total Other Long-term Obligations | <u>12,009,304</u> | <u>648,885</u> | <u>(384,858)</u> | <u>12,273,331</u> | <u>266,751</u> |
| <i>Total Governmental Activities Obligations</i> | <u>\$17,227,941</u> | <u>\$648,885</u> | <u>(\$897,287)</u> | <u>\$16,979,539</u> | <u>\$774,736</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. 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 City pays obligations related to employee compensation from the fund benefitting from their service. See Note 13 for additional information related to the net pension liability.

On October 12, 2010, the City issued general obligation bonds (2010 Limited Tax General Obligation 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 City 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, 2015

During 2013, the City issued \$3,773,188 in governmental General Obligation Various Purpose Bonds. The bonds were issued for the purpose of paying off the Bond Anticipation Note. The bonds will be paid from the bond retirement fund.

During 2013, the City issued \$3,571,499 in business General Obligation Various Purpose Bonds. The bonds were issued for the purpose of building a water tower. The bonds will be repaid from the water fund.

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 agreed balance due to ODOT was \$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.

The City's overall legal debt margin was \$52,511,246 at December 31, 2015. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2015, are as follows:

Business-Type Activities:

| | General Obligation Bonds | | | | | |
|--------------|--------------------------|------------------|--------------------|------------------|------------------|------------------|
| | OWDA Loans | | Serial | | Term | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016 | \$14,054 | \$21,485 | \$145,000 | \$102,900 | \$0 | \$25,250 |
| 2017 | 14,767 | 20,772 | 150,000 | 100,000 | 0 | 25,250 |
| 2018 | 15,516 | 20,023 | 150,000 | 97,000 | 0 | 25,250 |
| 2019 | 16,303 | 19,236 | 155,000 | 94,000 | 0 | 25,250 |
| 2020 | 17,130 | 18,409 | 160,000 | 89,350 | 0 | 25,250 |
| 2021 - 2025 | 99,603 | 78,093 | 885,000 | 357,850 | 0 | 126,250 |
| 2026 - 2030 | 127,560 | 50,135 | 1,080,000 | 154,787 | 0 | 126,250 |
| 2031 - 2034 | 127,382 | 14,774 | 0 | 0 | 505,000 | 38,250 |
| Total | \$432,315 | \$242,927 | \$2,725,000 | \$995,887 | \$505,000 | \$417,000 |

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Governmental Activities:

| | Various Purpose | | OPWC | Judgments |
|-------------|--------------------------|--------------------|------------------|-----------------|
| | General Obligation Bonds | | Loans | |
| | Principal | Interest | Principal | |
| 2016 | \$490,000 | \$150,812 | \$17,985 | \$96,989 |
| 2017 | 435,000 | 141,787 | 14,970 | 0 |
| 2018 | 440,000 | 132,775 | 11,954 | 0 |
| 2019 | 455,000 | 123,019 | 11,954 | 0 |
| 2020 | 195,000 | 110,031 | 11,954 | 0 |
| 2021 - 2025 | 1,085,000 | 441,505 | 59,770 | 0 |
| 2026 - 2030 | 1,335,000 | 191,518 | 47,815 | 0 |
| Total | <u>\$4,435,000</u> | <u>\$1,291,447</u> | <u>\$176,402</u> | <u>\$96,989</u> |

Note 11 - 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 2015, the City contracted with Love Insurance, Incorporated for various types of insurance as follows:

| Type of Coverage | Coverage | Deductible |
|--------------------------------------|-------------|------------|
| General liability: | | |
| Each occurrence | \$6,000,000 | \$0 |
| Annual aggregate | 8,000,000 | 0 |
| Employer's liability | 6,000,000 | 0 |
| Employee benefits liability: | | |
| Each occurrence | 6,000,000 | 0 |
| Annual aggregate | 8,000,000 | 0 |
| 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) | 16,742,455 | 1,000 |
| Boiler and machinery | Included | |
| Inland marine: | | |
| Special property | 1,066,353 | 1,000 |
| Electronic equipment | 100,000 | 1,000 |
| Media and Data | 25,000 | 1,000 |
| Extra Expense | 25,000 | 1,000 |
| Automobile coverage: | | |
| Liability | 6,000,000 | 500 |

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.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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 12 - Interfund Transfers

Interfund transfers for the year ended December 31, 2015 consisted of the transfer of \$21,725 from the special assessment bond retirement debt service fund to the water enterprise fund to pay for the water fund's portion of the OWDA loan.

Note 13 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

| Group A | Group B | Group C |
|---|---|---|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local |
|--|--------------------|
| 2015 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| 2015 Actual Contribution Rates | |
| Employer: | |
| Pension | 12.0 % |
| Post-employment Health Care Benefits | 2.0 |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$345,894 for 2015. Of this amount, \$38,566 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | Police | Firefighters |
|--|---------|--------------|
| 2015 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |
| 2015 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 | 0.50 |
| Total Employer | 19.50 % | 24.00 % |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$663,390 for 2015. Of this amount \$85,090 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--|--------------|-----------------|--------------|
| Proportionate Share of the Net Pension Liability | \$2,896,035 | \$8,170,321 | \$11,066,356 |
| Proportion of the Net Pension Liability | 0.02401133% | 0.15771550% | |
| Pension Expense | \$315,018 | \$796,977 | \$1,111,995 |

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--|------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Net difference between projected and actual earnings on pension plan investments | \$154,524 | \$352,133 | \$506,657 |
| City contributions subsequent to the measurement date | 345,894 | 663,390 | 1,009,284 |
| Total Deferred Outflows of Resources | <u>\$500,418</u> | <u>\$1,015,523</u> | <u>\$1,515,941</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | <u>\$50,878</u> | <u>\$0</u> | <u>\$50,878</u> |

\$1,009,284 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--------------------------|------------------|------------------|------------------|
| Year Ending December 31: | | | |
| 2016 | \$15,156 | \$88,033 | \$103,189 |
| 2017 | 15,156 | 88,033 | 103,189 |
| 2018 | 34,704 | 88,033 | 122,737 |
| 2019 | 38,630 | 88,034 | 126,664 |
| Total | <u>\$103,646</u> | <u>\$352,133</u> | <u>\$455,779</u> |

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

| | |
|---|---|
| Wage Inflation | 3.75 percent |
| Future Salary Increases, including inflation COLA or Ad Hoc COLA | 4.25 to 10.05 percent including wage inflation 3 percent, simple |
| Investment Rate of Return | 8 percent |
| Actuarial Cost Method | Individual Entry Age |

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|---|
| Fixed Income | 23.00 % | 2.31 % |
| Domestic Equities | 19.90 | 5.84 |
| Real Estate | 10.00 | 4.25 |
| Private Equity | 10.00 | 9.25 |
| International Equities | 19.10 | 7.40 |
| Other investments | 18.00 | 4.59 |
| Total | 100.00 % | 5.28 % |

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
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plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$5,327,874 | \$2,896,035 | \$847,840 |

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

| | |
|----------------------------|-------------------------------|
| Valuation Date | January 1, 2014 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.25 percent |
| Projected Salary Increases | 4.25 percent to 11 percent |
| Payroll Increases | 3.75 percent |
| Inflation Assumptions | 3.25 percent |
| Cost of Living Adjustments | 2.60 percent and 3.00 percent |

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|------------------------------|------------------------------|---|
| Cash and Cash Equivalents | - % | (0.25) % |
| Domestic Equity | 16.00 | 4.47 |
| Non-US Equity | 16.00 | 4.47 |
| Core Fixed Income * | 20.00 | 1.62 |
| Global Inflation Protected * | 20.00 | 1.33 |
| High Yield | 15.00 | 3.39 |
| Real Estate | 12.00 | 3.93 |
| Private Markets | 8.00 | 6.98 |
| Timber | 5.00 | 4.92 |
| Master Limited Partnerships | 8.00 | 7.03 |
| Total | 120.00 % | |

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

| | 1% Decrease (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$11,300,789 | \$8,170,321 | \$5,519,765 |

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
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Note 14 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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 two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.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 the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014 and 2013 was \$57,649, \$62,729, and \$32,533, respectively. For 2015, 88.85 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

Police and Fire Pension Fund

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

OPF provides access to postretirement 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 OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.opf.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

OPF 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 premium reimbursements administered 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 OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. The amount of employer contribution 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).

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

The OPF Board of Trustees is also 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 OPF which were allocated to fund postemployment health care benefits for police and firefighters were \$9,327 and \$6,574 for the year ended December 31, 2015, \$9,739 and \$6,143 for the year ended December 31, 2014, \$70,493 and \$41,630 for the year ended December 31, 2013. For 2015, 87.12 percent has been contributed for police and 87.23 percent has been contributed for firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

Note 15 – 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 Fund | |
|---------------------------------|--------------------|-------------------------|------------------|
| General | \$425,827 | Water | <u>\$864,900</u> |
| General Capital Improvements | 638,241 | | |
| Other Governmental Funds | 60,664 | | |
| <i>Total Governmental Funds</i> | <u>\$1,124,732</u> | | |

Contractual Commitments

As of December 31, 2015, the City had the following contract balances for various projects and programs:

| | |
|---|---------------------------|
| Water Tower | \$627,296 |
| Philipp Parkway | 266,576 |
| Engineering Services - 2015 Road Program | 7,161 |
| BWC - Claims & Employee Safety & Health Programs | 72,473 |
| Barbicas - State Route 14 Widening - Lawsuit | 24,330 |
| Engineering Services - Sunny Slopes Phase II | 6,130 |
| ICES Upgrade and Training | 3,400 |
| Landscape Structures, Inc. - Skate Park Equipment | 29,500 |
| Henderson Products, Inc. - New Truck Bed | 73,192 |
| Engineering Services - Ravenna Road Culvert Project | 7,324 |
| Frost Road R.O.W. Acquisition | 93,690 |
| Engineering Services - Frost Road Project | 43,673 |
| CMI - New Server | 3,301 |
| Engineering Services - Ward 1 Waterline Project | 3,848 |
| Total | <u><u>\$1,261,894</u></u> |

Remaining commitment amounts were encumbered at year end.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Note 16 – Change in Accounting Principle and Restatement of Net Position

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68”. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure.

The City also has a restatement resulting from the understatement of vacation benefits payable and the overstatement of compensated absences due within one year.

The implementation of this pronouncement and the restatements to vacation benefits payable and compensated absences payable had the following effect on net position as reported at December 31, 2014:

| | Governmental Activities | Business - Type Activities |
|--|----------------------------|-------------------------------|
| Net Position December 31, 2014 | \$20,984,741 | \$9,922,253 |
| Adjustments: | | |
| Net Pension Liability | (10,087,270) | (424,593) |
| Deferred Outflow - Payments Subsequent to Measurement Date | 960,293 | 52,988 |
| Vacation Benefits Payable | (373,020) | (36,686) |
| Compensated Absences Payable | 9,065 | 451 |
| Restated Net Position December 31, 2014 | \$11,493,809 | \$9,514,413 |

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

City of Streetsboro, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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Required Supplementary Information

City of Streetsboro, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Two Years (1)

| | 2014 | 2013 |
|---|-------------|-------------|
| City's Proportion of the Net Pension Liability | 0.02401133% | 0.02401133% |
| City's Proportionate Share of the Net Pension Liability | \$2,896,035 | \$2,830,623 |
| City's Covered-Employee Payroll | \$2,943,767 | \$3,201,645 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 98.38% | 88.41% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.45% | 86.36% |

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior year end.

See accountant's compilation report

City of Streetsboro, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Two Years (1)

| | 2014 | 2013 |
|---|-------------|-------------|
| City's Proportion of the Net Pension Liability | 0.15771550% | 0.15771550% |
| City's Proportionate Share of the Net Pension Liability | \$8,170,321 | \$7,681,240 |
| City's Covered-Employee Payroll | \$3,184,013 | \$3,100,161 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 256.60% | 247.77% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 72.20% | 73.00% |

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior year end.

See accountant's compilation report

City of Streetsboro, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Three Years (1)

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|------------------|
| Contractually Required Contribution | \$345,894 | \$353,252 | \$416,214 |
| Contributions in Relation to the Contractually Required Contribution | <u>(345,894)</u> | <u>(353,252)</u> | <u>(416,214)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered-Employee Payroll | \$2,882,450 | \$2,943,767 | \$3,201,645 |
| Contributions as a Percentage of Covered-Employee Payroll | 12.00% | 12.00% | 13.00% |

(1) Information prior to 2013 is not available.

See accountant's compilation report

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City of Streetsboro, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$663,390 | \$660,029 | \$544,208 | \$427,464 |
| Contributions in Relation to the Contractually Required Contribution | <u>(663,390)</u> | <u>(660,029)</u> | <u>(544,208)</u> | <u>(427,464)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered-Employee Payroll | \$3,180,149 | \$3,184,013 | \$3,100,161 | \$2,929,747 |
| Contributions as a Percentage of Covered-Employee Payroll | 20.86% | 20.73% | 17.55% | 14.59% |
| See accountant's compilation report | | | | |

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$403,889 | \$423,374 | \$396,472 | \$383,296 | \$339,235 | \$293,141 |
| <u>(403,889)</u> | <u>(423,374)</u> | <u>(396,472)</u> | <u>(383,296)</u> | <u>(339,235)</u> | <u>(293,141)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$2,761,087 | \$2,907,940 | \$2,713,316 | \$2,650,298 | \$2,351,754 | \$2,218,587 |
| 14.63% | 14.56% | 14.61% | 14.46% | 14.42% | 13.21% |

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**CITY OF STREETSBORO
PORTAGE COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

| Federal Grantor/ Pass Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Entity Number | Federal Expenditures |
|---|------------------------------------|---------------------------------------|---------------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| <i>Passed through Ohio Development Services Agency</i> | | | |
| Community Development Block Grant | 14.228 | A-C-13-2DU-1 | <u>99,419</u> |
| Home Investment Partnership Program | 14.239 | A-C-13-2DU-2 | <u>280,000</u> |
| Total U.S. Department of Housing and Urban Development | | | <u><u>379,419</u></u> |
| <u>U. S. Department of Transportation</u> | | | |
| <i>Passed Through the Ohio Department of Transportation</i> | | | |
| Highway Planning and Construction | 20.205 | 92561 | 573,829 |
| Highway Planning and Construction - St. Rt. 14 | 20.205 | 09N062 | <u>83,504</u> |
| Total U.S. Department of Transportation | | | <u><u>657,333</u></u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 1,036,752</u></u> |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY OF STREETSBORO
PORTAGE COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards of the City of Streetsboro, Ohio summarizes the activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE 2: MATCHING REQUIREMENTS

Certain federal programs require that the City contribute non-federal funds (matching funds) to support federally funded programs. The City has complied with the matching requirements. The expenditures of non-federal matching funds is not included on the Schedule.

NOTE 3: STATE ROUTE 14 PROJECT

The City received and expended Ohio Department of Transportation (ODOT) Highway Planning and Construction funds for construction of the State Route 14 Project. The closing of the Project was in legal dispute until 2015. The City executed the Settlement Agreement in 2016 and funds were disbursed consistent with the terms of the settlement and with authorization of City Council. However, ODOT disbursed \$83,504 prior to the final settlement.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of City Council
City of Streetsboro
Streetsboro, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streetsboro, Portage County, Ohio, (City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 2016, wherein we noted the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, and restated its net position at December 31, 2014 for governmental and business-type activities. In addition, the City restated its net position at December 31, 2014 for governmental and business-type activities due to an error in compensated absences.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Streetsboro, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Purpose of This Report

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



James G. Zupka, CPA, Inc.
Certified Public Accountants

June 10, 2016

JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Members of City Council
City of Streetsboro
Streetsboro, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the City of Streetsboro, Portage County, Ohio's (City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City of Streetsboro, Ohio's major federal program for the year ended December 31, 2015. The City of Streetsboro, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Streetsboro, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Streetsboro, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Streetsboro, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Streetsboro, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

Report on Internal Control over Compliance

Management of the City of Streetsboro, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Streetsboro, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Streetsboro, Ohio's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



James G. Zupka, CPA, Inc.
Certified Public Accountants

June 10, 2016

**CITY OF STREETSBORO
PORTAGE COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|------------|--|---|
| 2015(i) | Type of Financial Statement Opinion | Unmodified |
| 2015(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| 2015(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| 2015(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| 2015(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| 2015(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| 2015(v) | Type of Major Programs' Compliance Opinions | Unmodified |
| 2015(vi) | Are there any reportable findings under .510(a)? | No |
| 2015(vii) | Major Programs (list): Highway Planning and Construction - CFDA #20.205 | |
| 2015(viii) | Dollar Threshold: A/B Programs | Type A: \$750,000 Type B: All Others |
| 2015(ix) | Low Risk Auditee? | No |

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CITY OF STREETSBORO
PORTAGE COUNTY, OHIO
SCHEDULE OF PRIOR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The prior audit report, as of December 31, 2014, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Dave Yost • Auditor of State

CITY OF STREETSBORO

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 25, 2016**