

CITY OF STRONGSVILLE, OHIO

SINGLE AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Honorable Mayor, Finance Director,
and Members of City Council
City of Strongsville
18688 Royalton Road
Strongsville, Ohio 44136

We have reviewed the Independent Auditor's Report of the City of Strongsville, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2001 through December 31, 2001. 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 Strongsville is responsible for compliance with these laws and regulations.

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JIM PETRO
Auditor of State

July 9, 2002

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CITY OF STRONGSVILLE, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2001

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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Ohio Society of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

The Honorable Mayor, Finance Director,
and City Council
City of Strongsville, Ohio

We have audited the accompanying general purpose financial statements of the City of Strongsville, Ohio, as of and for the year ended December 31, 2001. These general purpose financial statements are the responsibility of the City of Strongsville, Ohio's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Strongsville, Ohio, as of December 31, 2001, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2001, the City adopted Governmental Accounting Standards Board Statements Number 33 and 36.

In accordance with Government Auditing Standards, we have also issued a report dated June 14, 2002 on our consideration of the City of Strongsville, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

June 14, 2002

James G. Zupka
Certified Public Accountant

CITY OF STRONGSVILLE, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2001
 (with comparative totals for December 31, 2000)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Assets and Other Debits						
Equity in Pooled Cash and Cash Equivalents	\$ 1,771,460	\$ 3,020,173	\$ 730,317	\$ 8,225,609	\$ 5,737,902	\$ 110,866
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	19,550	0
Receivables:						
Taxes	5,373,442	4,634,751	2,753,234	597,725	0	0
Accounts	154,931	40,876	0	106	2,043,957	0
Special Assessments	0	0	4,069,079	0	0	0
Due from Other Governments	1,027,251	935,047	150,881	131,914	0	0
Due from Other Funds	0	47,891	3,053,904	207,273	0	78,564
Inventory	39,913	472,988	0	0	0	163,012
Prepaid Items	182,682	9,111	0	0	230	0
Unamortized Bond Issuance Cost	0	0	319,431	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0		0	77,593,616	0
Other Debits						
Amount Available in Debt Service Funds for Retirement of General Obligation Bonds	0	0	0	0	0	0
Amount Available in Debt Service Funds for Retirement of Special Assessment Bond	0	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0	0
Amount to be Provided from Special Assessments	0	0	0	0	0	0
Total Assets and Other Debits	\$ 8,549,679	\$ 9,160,837	\$ 11,076,846	\$ 9,162,627	\$ 85,395,255	\$ 352,442

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2001
 (with comparative totals for December 31, 2000)
 (CONTINUED)

	Fiduciary Fund Types Trust and Agency	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	Long-Term Obligations	2001	2000 (Restated)
Assets and Other Debits					
Equity in Pooled Cash and Cash Equivalents	\$ 1,661,940	\$ 0	\$ 0	\$ 21,258,267	\$ 13,422,005
Cash and Cash Equivalents in Segregated Accounts	52,781	0	0	72,331	56,873
Receivables:					
Taxes	0	0	0	13,359,152	10,552,319
Accounts	0	0	0	2,239,870	2,224,621
Special Assessments	0	0	0	4,069,079	4,281,303
Due from Other Governments	0	0	0	2,245,093	1,413,054
Due from Other Funds	0	0	0	3,387,632	3,387,632
Inventory	0	0	0	675,913	444,673
Prepaid Items	0	0	0	192,023	132,244
Unamortized Bond Issuance Cost	0	0	0	319,431	0
Fixed Assets (Net of Accumulated Depreciation)	0	33,630,279	0	111,223,895	111,642,870
Other Debits					
Amount Available in Debt Service Funds	0	0	4,090,432	4,090,432	3,470,276
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	32,479,800	32,479,800	26,113,242
Total Assets and Other Debits	\$ 1,714,721	\$33,630,279	\$36,570,232	\$195,612,918	\$177,141,112

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2001
 (with comparative totals for December 31, 2000)
 (CONTINUED)

	Governmental Fund Types			Proprietary Fund Types		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Liabilities, Fund Equity, and Other Credits						
<u>Liabilities</u>						
Accounts Payable	\$ 224,091	\$ 195,776	\$ 0	\$ 28,471	\$ 102,166	\$ 110,940
Contracts Payable	19,679	144,517	0	19,797	18,564	2,070
Retirement Payable	84,654	184,801	0	0	99,905	54,912
Accrued Wages and Benefits	230,785	277,659	0	0	24,011	17,912
Due to Other Governments	88,467	107,310	0	77,337	31,442	17,149
Due to Other Funds	73,110	247,377	13,220	1,720,000	1,333,925	0
Deposits Held and Due to Others	0	0	0	0	0	0
Deferred Revenue	3,267,178	4,799,536	6,973,194	630,525	0	0
General Obligation Notes Payable	0	0	0	2,100,000	0	0
General Obligation Bonds Payable	0	0	0	0	2,025,000	0
Special Assessment Commitment Bonds Payable	0	0	0	0	0	0
Ohio Water Development Authority Bonds Payable	0	0	0	0	4,733,741	0
Ohio Public Works Commission	0	0	0	0	198,417	0
Compensated Absences Payable	92,624	29,571	0	0	73,279	20,518
Pension Obligation Payable	0	0	0	0	0	0
Total Liabilities	4,080,588	5,986,547	6,986,414	4,576,130	8,640,450	223,501
<u>Fund Equity and Other Credits</u>						
Investment in General Fixed Assets	0	0	0	0	0	0
Contributed Capital	0	0	0	0	70,751,737	0
Retained Earnings						
Unreserved	0	0	0	0	6,003,068	128,941
Fund Balances:						
Reserved for Inventory	39,913	472,988	0	0	0	0
Reserved for Prepaid Items	182,682	9,111	0	0	0	0
Reserved for Encumbrances	64,403	166,381	0	848,211	0	0
Reserved for Debt Service	0	0	4,090,432	0	0	0
Unreserved, Undesignated	4,182,093	2,525,810	0	3,738,286	0	0
Total Fund Equity and Other Credits	4,469,091	3,174,290	4,090,432	4,586,497	76,754,805	128,941
Total Liabilities, Fund Equity, and Other Credits	\$ 8,549,679	\$ 9,160,837	\$ 11,076,846	\$ 9,162,627	\$ 85,395,255	\$ 352,442

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2001
 (with comparative totals for December 31, 2000)
 (CONTINUED)

	Fiduciary Fund Types Trust and Agency	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long-Term Obligations	2001	2000(Restated)
Liabilities, Fund Equity, and Other Credits					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 661,444	\$ 1,335,040
Contracts Payable	0	0	0	204,627	1,008,715
Retirement Payable	0	0	815,889	1,240,161	1,945,949
Accrued Wages and Benefits	0	0	0	550,367	524,503
Due to Other Governments	104,313	0	602,058	1,028,076	837,391
Due to Other Funds	0	0	0	3,387,632	3,387,632
Deposits Held and Due to Others	1,547,578	0	0	1,547,578	1,367,888
Deferred Revenue	0	0	0	15,670,433	11,673,061
General Obligation Notes Payable	0	0	0	2,100,000	3,750,000
General Obligation Bonds Payable	0	0	30,885,000	32,910,000	22,175,000
Special Assessment Commitment Bonds Payable	0	0	2,210,000	2,210,000	2,310,000
Ohio Water Development Authority Bonds Payable	0	0	0	4,733,741	5,041,987
Ohio Public Works Commission	0	0	284,069	482,486	516,116
Compensated Absences Payable	0	0	1,692,098	1,908,090	1,780,889
Pension Obligation Payable	0	0	81,118	81,118	82,202
Total Liabilities	<u>1,651,891</u>	<u>0</u>	<u>36,570,232</u>	<u>68,715,753</u>	<u>57,736,373</u>
<u>Fund Equity and Other Credits</u>					
Investment in General Fixed Assets	0	33,630,279	0	33,630,279	33,121,028
Contributed Capital	0	0	0	70,751,737	71,414,155
Retained Earnings:					
Unreserved	0	0	0	6,132,009	3,646,263
Fund Balances:					
Reserved for Inventory	0	0	0	512,901	340,415
Reserved for Prepaid Items	0	0	0	191,793	132,144
Reserved for Encumbrances	0	0	0	1,078,995	76,513
Reserved for Debt Service	0	0	0	4,090,432	3,470,276
Unreserved, Undesignated	62,830	0	0	10,509,019	7,203,945
Total Fund Equity and Other Credits	<u>62,830</u>	<u>33,630,279</u>	<u>0</u>	<u>126,897,165</u>	<u>119,404,739</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 1,714,721</u>	<u>\$33,630,279</u>	<u>\$36,570,232</u>	<u>\$195,612,918</u>	<u>\$177,141,112</u>

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2001
 (with comparative totals for the year ended December 31, 2000)

	Governmental Fund Types				Fiduciary Fund Type Expensible Trust	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		2001	2000 (Restated)
Revenues							
Local Taxes - Income Tax	\$16,066,470	\$ 2,364,678	\$ 0	\$ 0	\$ 0	\$18,431,148	\$15,104,220
Local Taxes - Property Tax	601,173	3,511,689	2,575,861	559,970	0	7,248,693	10,605,379
Other Taxes	177,849	0	0	0	0	177,849	167,346
Intergovernmental Revenue	2,251,473	1,904,246	301,762	618,332	0	5,075,813	4,526,938
Special Assessments	0	0	236,527	0	0	236,527	278,586
Charges for Services	128,524	3,093,451	0	321,452	0	3,543,427	3,341,818
Fines, Licenses, and Permits	1,375,407	115,355	0	69,000	0	1,559,762	1,760,304
Interest Income	568,318	0	259,424	14,708	3,969	846,419	961,171
Miscellaneous	179,241	46,319	10,167	106	0	235,833	2,489,180
Total Revenues	21,348,455	11,035,738	3,383,741	1,583,568	3,969	37,355,471	39,234,942
Expenditures							
Current:							
Security of Persons and Property	6,351,828	6,290,186	0	0	0	12,642,014	11,952,032
Public Health and Welfare	940,819	345,110	0	0	0	1,285,929	1,221,328
Leisure Time Activities	682,491	3,380,415	0	0	0	4,062,906	3,921,777
Community Development	1,237,160	300,000	0	0	0	1,537,160	1,214,080
Basic Utilities	2,170,767	1,609	0	0	0	2,172,376	2,013,050
Transportation	0	6,838,325	0	0	0	6,838,325	6,113,147
General Government	3,394,388	0	0	0	0	3,394,388	3,221,298
Capital Outlay	0	13,984	0	4,566,758	0	4,580,742	7,158,658
Debt Service:							
Principal Retirement	0	14,321	1,315,000	5,136	0	1,334,457	4,769,161
Interest and Fiscal Charges	0	0	1,094,473	0	0	1,094,473	1,507,017
Total Expenditures	14,777,453	17,183,950	2,409,473	4,571,894	0	38,942,770	43,091,548
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,571,002	(6,148,212)	974,268	(2,988,326)	3,969	(1,587,299)	(3,856,606)
Other Financing Sources (Uses)							
Sale of Fixed Assets	43,759	2,350	0	0	0	46,109	41
Proceeds from Sale of Notes	0	0	0	0	0	0	4,200,000
Proceeds from Sale of Bonds	0	0	3,835,000	7,190,000	0	11,025,000	0
Proceeds from Sale of OPWC Loan	0	0	0	0	0	0	0
Proceeds from Refunding of Bonds Issued	0	0	13,910,000	0	0	13,910,000	0
Bond Issuance Cost	0	0	(4,043)	0	0	(4,043)	0
Retirement of Notes	0	0	(3,750,000)	0	0	(3,750,000)	0
Payment to Refunded Bond Escrow Agent	0	0	(14,345,069)	0	0	(14,345,069)	0
Transfers In	0	6,132,100	0	800,000	0	6,932,100	7,597,000
Transfers Out	(7,162,100)	0	0	0	0	(7,162,100)	(7,632,000)
Total Other Financing Sources (Uses)	(7,118,341)	6,134,450	(354,112)	7,990,000	0	6,651,997	4,165,041
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(547,339)	(13,762)	620,156	5,001,674	3,969	5,064,698	308,435
Fund Balances Surplus (Deficit) at Beginning of Year, Restated	5,019,152	3,012,844	3,470,276	(337,840)	58,861	11,223,293	10,889,156
Increase (Decrease) in Reserve for Inventory	(2,722)	175,208	0	0	0	172,486	25,702
Fund Balances at End of Year	\$ 4,469,091	\$ 3,174,290	\$ 4,090,432	\$ 4,663,834	\$ 62,830	\$ 16,460,477	\$ 11,223,293

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance-Favorable (Unfavorable)	Revised Budget	Actual	Variance-Favorable (Unfavorable)
Revenues						
Local Taxes - Income Tax	\$ 16,144,941	\$ 16,144,941	\$ 0	\$ 2,211,497	\$ 2,211,497	\$ 0
Local Taxes - Property Tax	648,391	648,391	0	3,826,253	3,826,253	0
Other Taxes	177,849	177,849	0	0	0	0
Intergovernmental Revenue	2,100,850	2,100,850	0	1,421,517	1,421,517	0
Special Assessments	0	0	0	0	0	0
Charges for Services	111,328	111,328	0	3,056,334	3,056,334	0
Fines, License, and Permits	1,396,252	1,396,252	0	139,692	139,692	0
Interest Income	583,197	583,197	0	0	0	0
Miscellaneous	148,227	148,227	0	451,185	451,185	0
Total Revenues	21,311,035	21,311,035	0	11,106,478	11,106,478	0
Expenditures						
Current:						
Security of Persons and Property	6,698,559	6,393,118	305,441	7,322,325	6,963,082	359,243
Public Health and Welfare	1,006,157	945,751	60,406	457,000	438,119	18,881
Leisure Time Activities	793,400	673,420	119,980	3,549,000	3,534,264	14,736
Community Development	1,317,400	1,238,765	78,635	300,000	300,000	0
Basic Utilities	2,650,000	2,101,184	548,816	3,000	1,874	1,126
Transportation	0	0	0	7,939,397	7,099,607	839,790
General Government	4,079,475	3,600,495	478,980	0	0	0
Capital Outlay	0	0	0	0	15,469	(15,469)
Debt Service						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	16,544,991	14,952,733	1,592,258	19,570,722	18,352,415	1,218,307
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,766,044	6,358,302	1,592,258	(8,464,244)	(7,245,937)	1,218,307
Other Financing Sources (Uses)						
Sale of Fixed Assets	43,759	43,759	0	2,350	2,350	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Retirement of Notes	0	0	0	0	0	0
Transfers In	0	0	0	6,132,100	6,132,100	0
Transfers Out	(7,162,100)	(7,162,100)	0	0	0	0
Total Other Financing Sources (Uses)	(7,118,341)	(7,118,341)	0	6,134,450	6,134,450	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,352,297)	(760,039)	1,592,258	(2,329,794)	(1,111,487)	1,218,307
Fund Balance at Beginning of Year	2,588,266	2,588,266	0	3,914,133	3,914,133	0
Prior Year Encumbrances Appropriated	24,891	24,891	0	50,722	50,722	0
Fund Balances at End of Year	\$ 260,860	1,853,118	1,592,258	1,635,061	2,853,368	1,218,307

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2001
 (CONTINUED)

	Debt Service			Capital Projects		
	Revised Budget	Actual	Variance- Favorable (Unfavorable)	Revised Budget	Actual	Variance- Favorable (Unfavorable)
Revenues						
Local Taxes - Income Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Local Taxes - Property Tax	2,877,623	2,877,623	0	625,570	625,570	0
Other Taxes	0	0	0	0	0	0
Intergovernmental Revenue	0	0	0	1,172,577	1,172,577	0
Special Assessments	236,527	236,527	0	0	0	0
Charges for Services	0	0	0	321,628	321,628	0
Fines, Licenses, and Permits	0	0	0	69,000	69,000	0
Interest Income	0	0	0	14,708	14,708	0
Miscellaneous	10,167	10,167	0	0	0	0
Total Revenues	3,124,317	3,124,317	0	2,203,483	2,203,483	0
Expenditures						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Development	0	0	0	0	0	0
Basic Utilities	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Capital Outlay	0	0	0	6,008,900	5,598,021	410,879
Debt Service:						
Principal Retirement	1,435,000	1,390,000	45,000	0	0	0
Interest and Fiscal Charges	1,660,000	1,561,035	98,965	0	0	0
Total Expenditures	3,095,000	2,951,035	143,965	6,008,900	5,598,021	410,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,317	173,282	143,965	(3,805,417)	(3,394,538)	410,879
Other Financing Sources (Uses)						
Sale of Fixed Assets	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	2,100,000	2,100,000	0
Proceeds from Sale of Bonds	3,877,443	3,877,443	0	7,190,000	7,190,000	0
Retirement of Notes	(3,750,000)	(3,750,000)	0	0	0	0
Transfers In	0	0	0	800,000	800,000	0
Transfers Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	127,443	127,443	0	10,090,000	10,090,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	156,760	300,725	143,965	6,284,583	6,695,462	410,879
Fund Balances at Beginning of Year	429,592	429,592	0	680,637	680,637	0
Prior Year Encumbrances Appropriated	0	0	0	900	900	0
Fund Balances at End of Year	\$ 586,352	\$ 730,317	\$ 143,965	\$ 6,966,120	\$ 7,376,999	\$ 410,879

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2001
 (CONTINUED)

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance- Favorable (Unfavorable)
Revenues			
Local Taxes - Income Tax	\$ 18,356,438	\$ 18,356,438	\$ 0
Local Taxes - Property Tax	7,977,837	7,977,837	0
Other Taxes	177,849	177,849	0
Intergovernmental Revenues	4,694,944	4,694,944	0
Special Assessments	236,527	236,527	0
Charges for Services	3,489,290	3,489,290	0
Fines, Licenses, and Permits	1,604,944	1,604,944	0
Interest Income	597,905	597,905	0
Miscellaneous	609,579	609,579	0
Total Revenues	<u>37,745,313</u>	<u>37,745,313</u>	<u>0</u>
Expenditures			
Current:			
Security of Persons and Property	14,020,884	13,356,200	664,684
Public Health and Welfare	1,463,157	1,383,870	79,287
Leisure Time Activities	4,342,400	4,207,684	134,716
Community Development	1,617,400	1,538,765	78,635
Basic Utilities	2,653,000	2,103,058	549,942
Transportation	7,939,397	7,099,607	839,790
General Government	4,079,475	3,600,495	478,980
Capital Outlay	6,008,900	5,613,490	395,410
Debt Service:			
Principal Retirement	1,435,000	1,390,000	45,000
Interest and Fiscal Charges	1,660,000	1,561,035	98,965
Total Expenditures	<u>45,219,613</u>	<u>41,854,204</u>	<u>3,365,409</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,474,300)</u>	<u>(4,108,891)</u>	<u>3,365,409</u>
Other Financing Sources(Uses)			
Sale of Fixed Assets	46,109	46,109	0
Proceeds from Sale of Notes	2,100,000	2,100,000	0
Proceeds from Sale of Bonds	11,067,443	11,067,443	0
Retirement of Notes	(3,750,000)	(3,750,000)	0
Transfers In	6,932,100	6,932,100	0
Transfers Out	(7,162,100)	(7,162,100)	0
Total Other Financing Sources (Uses)	<u>9,233,552</u>	<u>9,233,552</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>1,759,252</u>	<u>5,124,661</u>	<u>3,365,409</u>
Fund Balances at Beginning of Year	7,612,628	7,612,628	0
Prior Year Encumbrances Appropriated	76,513	76,513	0
Fund Balances at End of Year	<u><u>\$ 9,448,393</u></u>	<u><u>\$ 12,813,802</u></u>	<u><u>\$ 3,365,409</u></u>

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS (DEFICIT) -
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2001
 (with comparative totals for the year ended December 31, 2000)

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>	
			2001	2000
<u>Operating Revenues</u>				
Charges for Services	\$ 8,621,703	\$3,668,335	\$ 12,290,038	\$11,547,692
Miscellaneous	45,417	0	45,417	1,274
Total Operating Revenues	<u>8,667,120</u>	<u>3,668,335</u>	<u>12,335,455</u>	<u>11,548,966</u>
<u>Operating Expenses</u>				
Materials and Supplies	6,839	0	6,839	44,764
Wages and Benefits	915,533	514,417	1,429,950	1,420,572
Utilities	50,945	469,448	520,393	467,950
Contractual Services	4,938,357	1,040,534	5,978,891	6,496,328
Maintenance	47,124	36,100	83,224	158,271
Depreciation	2,399,199	0	2,399,199	2,526,194
Benefit Payments	0	1,671,860	1,671,860	1,395,091
Other	1,401	45,178	46,579	49,246
Total Operating Expenses	<u>8,359,398</u>	<u>3,777,537</u>	<u>12,136,935</u>	<u>12,558,416</u>
Operating Income (Loss)	<u>307,722</u>	<u>(109,202)</u>	<u>198,520</u>	<u>(1,009,450)</u>
<u>Nonoperating Expenses</u>				
Interest and Fiscal Charges	(99,672)	0	(99,672)	(100,888)
Investment Earnings	125,076	0	125,076	0
Total Nonoperating Expenses	<u>25,404</u>	<u>0</u>	<u>25,404</u>	<u>(100,888)</u>
Income (Loss) before Operating Transfers	333,126	(109,202)	223,924	(1,110,338)
<u>Operating Transfers</u>				
Operating Transfers In	1,700,000	230,000	1,930,000	35,000
Operating Transfers Out	(1,700,000)	0	(1,700,000)	0
Total Operating Transfers	<u>0</u>	<u>230,000</u>	<u>230,000</u>	<u>35,000</u>
Income (Loss)	<u>333,126</u>	<u>120,798</u>	<u>453,924</u>	<u>(1,075,338)</u>
Depreciation on Fixed Assets Acquired By Contributed Capital	<u>2,031,822</u>	<u>0</u>	<u>2,031,822</u>	<u>2,040,338</u>
Increase (Decrease) in Retained Earnings	2,364,948	120,798	2,485,746	965,000
Retained Earnings at Beginning of Year	<u>3,638,120</u>	<u>8,143</u>	<u>3,646,263</u>	<u>2,681,263</u>
Retained Earnings at End of Year	<u><u>\$ 6,003,068</u></u>	<u><u>\$ 128,941</u></u>	<u><u>\$ 6,132,009</u></u>	<u><u>\$ 3,646,263</u></u>

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY (DEFICIT) -
 BUDGET (NON-GAAP BASIS) AND ACTUAL -
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Enterprise			Internal Service		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Charges for Services	\$ 8,630,822	\$ 8,630,822	\$ 0	\$ 3,668,335	\$ 3,668,335	\$ 0
Miscellaneous	626	626	0	0	0	0
Total Revenues	8,631,448	8,631,448	0	3,668,335	3,668,335	0
Expenses						
Wages and Benefits	995,334	967,930	27,404	509,238	495,817	13,421
Utilities	15,500	24,087	(8,587)	455,850	488,207	(32,357)
Contractual Services	8,879,016	6,060,655	2,818,361	1,227,633	369,538	858,095
Materials and Supplies	0	0	0	0	832,004	(832,004)
Maintenance	159,000	150,323	8,677	0	0	0
Benefit Payments	0	0	0	1,700,000	1,671,860	28,140
Debt Service:						
Interest and Fiscal Charges	50,000	49,836	164	0	0	0
Other	3,000	1,221	1,779	29,050	14,390	14,660
Total Expenses	10,101,850	7,254,052	2,847,798	3,921,771	3,871,816	49,955
Income (Loss) Before Operating Transfer	(1,470,402)	1,377,396	2,847,798	(253,436)	(203,481)	49,955
Operating Transfers						
Operating Transfers In	1,700,000	1,700,000	0	230,000	230,000	0
Operating Transfers Out	(1,700,000)	(1,700,000)	0	0	0	0
Total Operating Transfers	0	0	0	230,000	230,000	0
Net Income (Loss)	(1,470,402)	1,377,396	2,847,798	(23,436)	26,519	49,955
Fund Balances at Beginning of Year	4,289,382	4,289,382	0	70,586	70,586	0
Prior Year Encumbrances Appropriated	1,850	1,850	0	13,775	13,775	0
Fund Balances at End of Year	\$ 2,820,830	\$ 5,668,628	\$ 2,847,798	\$ 60,925	\$ 110,880	\$ 49,955

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY (DEFICIT) -
 BUDGET (NON-GAAP BASIS) AND ACTUAL -
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2001
 (CONTINUED)

	<u>TOTALS (MEMORANDUM ONLY)</u>		
	<u>Revised Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Charges for Services	\$ 12,299,157	\$ 12,299,157	\$ 0
Miscellaneous	626	626	0
Total Revenues	<u>12,299,783</u>	<u>12,299,783</u>	<u>0</u>
<u>Expenses</u>			
Wages and Benefits	1,504,572	1,463,747	40,825
Utilities	471,350	512,294	(40,944)
Contractual Services	10,106,649	6,430,193	3,676,456
Materials and Supplies	0	832,004	(832,004)
Maintenance	159,000	150,323	8,677
Benefit Payments	1,700,000	1,671,860	28,140
Debt Service:			
Interest and Fiscal Charges	50,000	49,836	164
Other	32,050	15,611	16,439
Total Expenses	<u>14,023,621</u>	<u>11,125,868</u>	<u>2,897,753</u>
Income (Loss) Before Operating Transfer	<u>(1,723,838)</u>	<u>1,173,915</u>	<u>2,897,753</u>
<u>Operating Transfers</u>			
Operating Transfers In	1,930,000	1,930,000	0
Operating Transfers Out	(1,700,000)	(1,700,000)	0
Total Operating Transfers	<u>230,000</u>	<u>230,000</u>	<u>0</u>
Net Income (Loss)	<u>(1,493,838)</u>	<u>1,403,915</u>	<u>2,897,753</u>
Fund Balances at Beginning of Year	4,359,968	4,359,968	0
Prior Year Encumbrances Appropriated	<u>15,625</u>	<u>15,625</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 2,881,755</u></u>	<u><u>\$ 5,779,508</u></u>	<u><u>\$ 2,897,753</u></u>

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO
 COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2001
 (with comparative totals for the year ended December 31, 2000)

	Enterprise	Internal Service	2001	2000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash Received from Users	\$ 8,630,822	\$ 3,668,335	\$ 12,299,157	\$ 11,501,462
Cash Paid to Suppliers for Goods and Services	(181,249)	(546,961)	(728,210)	(7,087,877)
Cash Paid to Employees for Services	(967,930)	(2,167,677)	(3,135,607)	(2,386,465)
Cash Paid for Contractual Services	(5,567,390)	(1,142,788)	(6,710,178)	0
Other Operating Revenue	37,453	0	37,453	1,274
Other Operating Expense	(1,401)	(14,390)	(15,791)	(48,515)
Net Cash Provided by Operating Activities	1,950,305	(203,481)	1,746,824	1,979,879
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>				
Purchase of Fixed Assets	(101,569)	0	(101,569)	(284,375)
Interest Income	240	0	240	0
Net Cash Provided by Investing Activities	(101,329)	0	(101,329)	(284,375)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Operating Transfers - In	1,700,000	230,000	1,930,000	35,000
Operating Transfers - Out	(1,700,000)	0	(1,700,000)	0
Net Cash from Noncapital Financing Activities	0	230,000	230,000	35,000
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Principal Paid on Bonds and Notes	(322,419)	0	(322,419)	(293,028)
Interest Expense and Fiscal Charges	(49,836)	0	(49,836)	(50,444)
Net Cash (Used in) Capital and Related Financing Activities	(372,255)	0	(372,255)	(343,472)
Net Increase (Decrease) in Cash and Cash Equivalents	1,476,721	26,519	1,503,240	1,387,032
Cash and Cash Equivalents at Beginning of Year	4,280,731	84,347	4,365,078	2,978,046
Cash and Cash Equivalents at End of Year	\$ 5,757,452	\$ 110,866	\$ 5,868,318	\$ 4,365,078
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>				
Operating Income (Loss)	\$ 307,722	\$ (109,202)	\$ 198,520	\$ (1,009,450)
Adjustments to Reconcile Operating to Net Cash Provided by Operating Activities				
Depreciation	2,399,199	0	2,399,199	2,526,194
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	1,155	0	1,155	(46,230)
(Increase) Decrease in Inventory of Supplies	0	(58,754)	(58,754)	44,764
(Increase) Decrease in Prepays	(130)	0	(130)	(100)
Increase (Decrease) in Accounts Payable	(68,823)	(56,635)	(125,458)	(450,901)
Increase (Decrease) in Contracts Payable	(636,421)	135	(636,286)	645,368
Increase (Decrease) in Accrued Wages and Benefits	4,733	5,076	9,809	2,218
Increase (Decrease) in Retirement Incentive	(80,584)	0	(80,584)	235,401
Increase (Decrease) in Due to Other Governments	11,090	5,905	16,995	(3,729)
Increase (Decrease) in Compensated Absences	12,364	9,994	22,358	36,344
Net Cash Provided by Operating Activities	\$ 1,950,305	\$ (203,481)	\$ 1,746,824	\$ 1,979,879

See accompanying notes to the general purpose financial statements.

Schedule of Noncash Investing, Capital, and Financing Activities:

As of December 31, 2001, the Enterprise funds received capital assets from various sources in the amount of \$1,369,404.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001

NOTE 1: **REPORTING ENTITY AND BASIS OF PRESENTATION**

The City of Strongsville, Cuyahoga County, Ohio (City) was incorporated under the laws of the State of Ohio in 1958. The City operates under and is governed by a Mayor/Council form of government in accordance with the general laws of the State of Ohio. In addition, the City may exercise all powers of local self-government under the Ohio Constitution, to the extent not in conflict with the applicable general laws of Ohio.

A. **Reporting Entity**

The City provides various services including police and fire protection, road maintenance and repair, snow removal, traffic signalization, street lighting, storm and sanitary sewers, waste collection and general administrative services. These City operations form the oversight unit and are included as part of the reporting entity.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of the public service. Application of this criterion involves considering whether the activity benefits the City or whether the activity is conducted within the geographic boundaries of the City and is generally available to its residents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon the application of these criterion, the City has one component unit. The financial statements present the government and its component unit for which the government is considered to be financially accountable. The blended component unit, although a legally separate entity, is, in substance, part of the government's operations.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 1: **REPORTING ENTITY AND BASIS OF PRESENTATION** (Continued)

A. **Reporting Entity** (Continued)

Blended Component Unit - The Strongsville Community Improvement Corporation (CIC), a non-profit organization, serves all the citizens of the government and is governed by a board of the government's elected council and community representatives. The CIC, charged with the responsibilities of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the Strongsville area, is empowered with the ability to carry out the actions they consider necessary to achieve these responsibilities. Due to the nature and significance of the CIC's relationship with the City, the CIC is presented as a component unit of the City. The CIC is reported as an enterprise fund.

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

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

For financial statement presentation purposes, the various funds of the City are grouped into governmental, proprietary, and fiduciary fund types.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary and trust funds) are accounted for through governmental funds. The following are the City's governmental fund types:

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 1: **REPORTING ENTITY AND BASIS OF PRESENTATION** (Continued)

B. **Basis of Presentation - Fund Accounting** (Continued)

Governmental Fund Types (Continued)

General Fund

The general fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Fund

The special revenue funds are established to account for the proceeds of specific revenue sources (other than amounts relating to special assessments, major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general and special assessment long-term debt principal, interest, and related costs.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by propriety funds).

Proprietary Fund Types

Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following are the City's proprietary fund types:

Enterprise Funds

The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 1: **REPORTING ENTITY AND BASIS OF PRESENTATION** (Continued)

B. **Basis of Presentation - Fund Accounting** (Continued)

Proprietary Fund Types (Continued)

Internal Service Funds

Internal service funds are used to account for goods and services provided by City departments and funds on a cost-reimbursement basis.

Fiduciary Fund Types

Trust and Agency Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's fiduciary funds are expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

General Fixed Assets Account Group

This account group is used to account for all general fixed assets of the City other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group

This account group is used to account for all unmatured long-term indebtedness of the City that is not a specific liability of the proprietary funds or trust funds.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

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

A. **Measurement Focus and Basis of Accounting** (Continued)

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and fiduciary funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments, special assessment, and state levied locally shared taxes (including motor vehicle license fees, and local government assistance). Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until actually received.

Special assessment installments which are measurable, but not available at December 31 are recorded as deferred revenue. Property taxes measurable as of December 31, 2001, but which are not intended to finance 2001 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

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

A. **Measurement Focus and Basis of Accounting** (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

With respect to proprietary activities, the City has adopted GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting*. The City has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict pronouncements.

B. **Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the presentation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level with each department. Any budgetary modifications at this level may only be made by resolution of the City Council.

Tax Budget

A budget of estimated cash receipts and disbursements which has been adopted by City Council is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1, to December 31 of the following year.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

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

B. **Budgetary Process** (Continued)

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected receipts of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Director of Finance determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. During 2001 the appropriation ordinance was amended. The budgetary figures which appear in the statements of budgetary comparison represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

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

B. **Budgetary Process** (Continued)

Encumbrances (Continued)

On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary fund types.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

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 basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, appropriations and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

The Combined Statement of Revenues, Expenditures and Changes in Fund Cash Balances (Non-GAAP Basis) - Budget and Actual - All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity (Non-GAAP Basis) - Budget and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure for the proprietary fund type (GAAP).

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

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

B. Budgetary Process (Continued)

Budgetary Basis of Accounting (Continued)

4. Proceeds from and principal payments on short-term note obligations redeemed within the same year are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statements on a fund type basis:

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures Governmental Fund Types						
	General	Special Revenue	Debt Service	Capital Project	Expendable Trust	Total
GAAP Basis	\$ (547,339)	\$ (13,762)	\$ 620,156	\$ 5,001,674	\$ 3,969	\$ 5,064,698
Increase (Decrease) Due to:						
Revenue Accruals(37,420)		70,740	3,618,019	619,915	(3,969)	4,267,285
Expenditure						
Accruals	(110,877)	(1,016,405)	(462,519)	(183,052)	0	(1,772,853)
Proceeds from						
Sale of Notes	0	0	0	2,100,000	0	2,100,000
Proceeds from						
Sale of Bonds	0	0	(17,745,000)	0	0	(17,745,000)
Principal Retirement	0	14,321	14,270,069	5,136	0	14,289,526
Net Impact of						
Encumbrances	(64,403)	(166,381)	0	(848,211)	0	(1,078,995)
Budget Basis	\$ (760,039)	\$ (1,111,487)	\$ 300,725	\$ 6,695,462	\$ 0	\$ 5,124,661

Net Income (Loss)/Excess (Deficiency) of Revenues Over Expenses Proprietary Fund Type			
	Internal Enterprise	Service	Total
GAAP Basis	\$ 313,576	\$ 120,798	\$ 434,374
Increase (Decrease) Due to:			
Revenue Accruals	(134,359)	0	(134,359)
Expense Accruals	(1,131,743)	(94,279)	(1,226,022)
Depreciation Expense	2,399,199	0	2,399,199
Net Impact of Encumbrances	(69,277)	0	(69,277)
Budget Basis	\$ 1,377,396	\$ 26,519	\$ 1,403,915

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

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

C. Cash and Investments

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

During 2001, the portfolio of the City was limited to nonparticipating interest-earning investment contracts (e.g., repurchase agreements), commercial paper, and Government securities. Nonparticipating investment contracts such as repurchase agreements and commercial paper are reported at cost. Government securities are reported at fair value, which is the quoted market price as of the valuation date.

The City's policy is to hold investments until maturity or until market values equal or exceed cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$568,318, which includes \$358,212 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury.

For purposes on the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

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

D. Inventory of Supplies

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that the supplies inventory does not constitute available spendable resources even though it is a component of net assets.

E. Fixed Assets

General fixed assets are recorded as expenditures in the governmental fund that finances the acquisition. When purchased, such assets are capitalized at cost in the general fixed assets account group. Contributed fixed assets are recorded at their estimated fair market value at the time received.

Certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, and lighting systems are not capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets.

Property, plant and equipment used by enterprise funds is stated at cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Depreciation for the enterprise fund is charged to operations by allocating the cost of the fixed assets over the estimated useful lives of the assets on the straight-line basis. Depreciation is recorded in the general fixed asset account group as a reduction to the investment in general fixed assets account. Estimated useful lives of the various classes of fixed assets are:

Land and Land Improvements	15-40 years
Buildings and Improvements	25-50 years
Furniture and Fixtures	7-10 years
Machinery and Equipment	5-20 years
Vehicles	5 years
Sanitary Sewer Installations	50 years
Storm Lines	20-50 years

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

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

E. **Fixed Assets** (Continued)

Depreciation recognized on fixed assets acquired by contributed capital is closed to the contributed capital account. Net income or loss, adjusted by the amount of depreciation recognized on fixed assets acquired by contributed capital, is closed to retained earnings.

F. **Short-Term Receivables/Payables**

Receivables and payables resulting from transactions between funds for goods received or services provided are classified as “Due from Other Funds” or “Due to Other Funds” on the balance sheet.

G. **Intergovernmental Revenues**

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

H. **Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise funds and is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to contributed capital at year end.

I. **Fund Equity**

Reservations of fund balances of governmental funds are to satisfy legal covenants that require a portion of the fund balance to be segregated or to identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

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

I. **Fund Equity** (Continued)

Reserved for encumbrances - This reserve represents encumbrances outstanding at the end of the year based upon purchase orders and contracts signed by the City but not completed as of the close of the fiscal year.

Reserved for inventories - This reserve was created to represent the portion of the fund balance that is not available for expenditures because the City expects to use these resources within the next budgetary period.

Reserved for prepaid items - This reserve was created to represent the portion of the fund balance that is not available for expenditures because the City expects to use these resources within the next budgetary period.

J. **Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements from a different fund for expenditures/expenses previously incurred, (that are properly applicable to the other fund), are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is being reimbursed.

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. **Long-Term Obligations**

Long-term obligations are recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligation account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

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

K. **Long-Term Obligations** (Continued)

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the appropriate funds and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt retirement fund has been split among the appropriated funds and account groups. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. **Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE**

A. **Change in Accounting Principle**

For December 31, 2001, the City has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. GASB Statement No. 36 modified the provisions of GASB Statement No. 33 for certain specific nonexchange revenues.

GASB Statement No. 33 and GASB Statement No. 36 were required for the current year. These statement clarified the timing requirements of recognizing assets, liabilities, revenues, and expenditures/expenses associated with nonexchange transactions. As a result of implementation of the statements, a restatement of prior year fund balance is necessary as described below.

Due to the implementation of GASB Statement No. 33, prior year fund balances were restated for the following funds:

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE** (Continued)

A. **Change in Accounting Principle** (Continued)

<u>General Fund</u>	
Fund Balance as of December 31, 2000	\$4,834,888
Local Government	184,264
	\$5,019,152
	\$5,019,152
 <u>Special Revenue Fund</u>	
Fund Balance as of December 31, 2000	\$2,589,704
Gasoline Tax	103,937
Auto Registration	22,405
Grants	296,798
	\$3,012,894
	\$3,012,894
 <u>Capital Project Fund</u>	
Fund Balance as of December 31, 2000	\$ (468,130)
Grants	130,290
	\$ (337,840)
	\$ (337,840)

B. **Fund Deficit**

Fund balance/retained earnings at December 31, 2001 included the following individual fund deficits:

<u>Special Revenue Fund</u>	
Motor Vehicle License Tax	\$ 131,697
 <u>Capital Project</u>	
General Capital Improvement	2,756,033
 <u>Internal Service</u>	
Building Maintenance and Operation Fund	68,838

The fund deficit in the special revenue fund is the result of reclassing notes to the proper funds in the prior year. The deficit does not exist under the cash basis of accounting.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE** (Continued)

B. **Fund Deficit** (Continued)

The fund deficit in the general capital improvement fund resulted from the reclassification of notes proceeds to a note payable account. The deficit does not exist under the cash basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

Internal service fund deficit was carried forward from prior years due to the recognition of expenditures on the modified accrual basis which is greater than expenditures recognized on cash basis. The deficit does not exist under the cash basis of accounting.

NOTE 4: **DEPOSITS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents, and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories:

Category 1 consists of “active” funds - those funds required to be kept in “cash” or “near cash” status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Interim deposits in eligible institutions applying for interim funds;
5. Bonds and other obligations of the State of Ohio;
6. No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasury Asset Reserve of Ohio (STAROhio).

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110 percent of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation, or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation, or other authority. Based upon criteria described in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, collateral held in single financial collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

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

The GASB has established risk categories for deposits and investments as follows:

Deposits

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in the City's name.)

Investments

Category 1 - Insured or registered, with securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. Deposits

At year end, the carrying amount of the City's deposits was \$2,005,408 with \$3,096 of cash on hand and the bank balance was \$3,211,001. Of the bank balance, \$926,879 was fully insured by federal depository insurance. All remaining deposits were classified at Category 3.

The credit risk, for purposes of Governmental Accounting Standards Board Statement No. 3 is the same as that of uncollateralized deposits. The pledged assets consist of eligible securities with an aggregate market value at least equal to the excess of all public deposits over and above those insured by the Federal Deposit Insurance Corporation or any other agency or instrumentality of the Federal government.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

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

B. Investments

Investments as of December 31, 2001 are summarized below.

<u>Category</u>		<u>Carrying Value</u>	<u>Fair Value</u>
3	Repurchase Agreement	\$ 9,199,440	\$ 9,199,440
2	Government Securities	7,059,113	7,059,113
1	Commercial Paper	3,066,637	3,066,637
Totals		<u>\$19,325,190</u>	<u>\$19,325,190</u>

The investments are carried at fair value with the exception of the repurchase agreement and commercial paper which are carried at cost.

C. Reconciliation of Cash, Cash Equivalents, and Investments

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3. The captions on the combined balance sheet related to cash and cash equivalents are as follows:

	<u>Cash & Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 21,330,598	\$ 0
Investments:		
Commercial Paper	(3,066,637)	3,066,637
Government Securities	(7,059,113)	7,059,113
Repurchase Agreement	(9,199,440)	9,199,440
GASB Statement No. 3	<u>\$ 2,005,408</u>	<u>\$19,325,190</u>

The City maintains a cash pool that is available for the use by all funds and accounts except for the Mayor's Court (agency fund), builder's cash deposit (trust fund), and the Community Improvement Corporation (component unit) of which \$72,331 was fully insured, which are maintained separately.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 5: **PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values for real property are established by State law at 35 percent of appraised market value. All property is required to be revaluated every six years. The latest revaluation was completed in 2000. Public utility real and tangible personal property tax collected in one calendar year is levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Public utility property taxes are assessed on tangible personal property at 88 percent of true value. Taxes collected from tangible personal property (other than public utility property) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property assessments are 25 percent of true value.

The assessed value upon which the 2001 tax receipts were based on was \$1,287,676,994. The full tax rate for all City operations applied to taxable property for the year ended December 31, 2001 was \$11.60 per \$1,000 of assessed valuation.

Real and public utility 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 30. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 6: **INCOME TAXES**

The City's municipal income tax of 2.0 percent is levied on gross salaries, wages and other personal service compensation earned by residents both in and out of the City and on the earnings of nonresidents (except certain transients) earned in the City. This tax also applies to net income of business organizations within the City. Residents of the City are granted a 100 percent credit for all income taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. The tax is collected by RITA and remitted to the City monthly.

Municipal income taxes are allocated by City ordinance as follows: 16.67 percent of the original 1.5 percent of the City income tax is restricted in its use for street construction and road surface maintenance and is included in the special revenue funds. All other income tax proceeds are included in the general fund.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 7: **RECEIVABLES**

Receivables at December 31, 2001 consisted of taxes, accounts (billings for user charged services including unbilled sewer services), interest and intergovernmental receivables arising from shared revenues. All receivables are deemed collectible in full.

A summary of the principal items of intergovernmental receivables follows:

Due from Other Governments

	<u>Amount</u>
General Fund:	
Local Government	\$ 716,734
Estate Tax	286,908
Homestead and Rollback	23,609
Total General Fund	1,027,251
Special Revenue Fund:	
Local Government	\$ 151,368
Gasoline Tax	432,412
Highway Tax	156,485
Homestead and Rollback	157,282
Grants	37,500
Total Special Revenue Fund	935,047
Debt Service Fund:	
Homestead and Rollback	150,881
Total Debt Service Fund	150,881
Capital Projects Fund:	
Grants	99,114
Homestead and Rollback	32,800
Total Capital Projects Fund	131,914
Total Due from Other Governments	\$2,245,093

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 8: **FIXED ASSETS**

A summary of changes in general fixed assets for the year ended December 31, 2001 follows:

	Beginning Balance 01/01/2001	Additions	Deletions	Ending Balance 12/31/2001
<u>General Fund</u>				
Land and Land Improvements	\$ 5,156,879	\$ 2,139,310	\$ 0	\$ 7,296,189
Buildings and Improvements	23,047,139	37,489	0	23,084,628
Furniture and Fixtures	181,692	11,194	0	192,886
Machinery and Equipment	4,351,143	374,006	(52,868)	4,672,281
Vehicles	6,648,877	1,326,274	(173,069)	7,802,082
Construction in Progress	6,180,363	0	(1,443,069)	4,737,294
Totals	45,566,093	3,888,273	(1,669,006)	47,785,360
Less Accumulated Depreciation		(12,445,065)	(1,933,053)	(14,383,123)
Totals	\$33,121,028	\$ 1,955,220	\$(1,445,969)	\$33,630,279
<u>Enterprise</u>				
Land and Land Improvements	\$ 5,366,117	\$ 0	\$ 0	\$ 5,336,117
Buildings and Improvements	8,651,545	0	0	8,651,545
Furniture and Fixtures	9,843	0	0	9,843
Machinery and Equipment	8,058,324	0	0	8,058,324
Vehicles	0	101,569	0	101,569
Storm Lines	48,462,018	1,139,574	0	49,701,592
Sanitary Sewer Installation	57,171,058	229,830	0	57,400,888
Totals	127,788,905	1,470,973	0	129,259,878
Less Accumulated Depreciation		(49,267,063)	(2,399,199)	(51,666,262)
Totals	\$78,521,842	\$ (928,226)	\$ 0	\$77,593,616

NOTE 9: **RISK MANAGEMENT**

The City maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles, and general liability risks including public officials' 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 2001, the City contracted with several companies for various types of insurance as follows:

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 9: **RISK MANAGEMENT** (Continued)

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Specialty National Ins. Co.	Building and Personal Property	\$ 1,000
Specialty National Ins. Co.	Crime Coverage:	
	- Theft, Disappearance/Destruction	250
	- Employee Dishonesty (Per Loss)	250
Specialty National Ins. Co.	General Liability	
	- Limit: 1,000,000 per occurrence	
	- Limit: 50,000 Fire Damage	
	- Limit: 10,000 Medical Expense	No Deductible
Specialty National Ins. Co.	Commercial Auto Coverage	
	- Comprehensive Coverage	250
	- Physical Damage Collision	1,000
Specialty National Ins. Co.	Commercial Umbrella Coverage	
	- Business Automobile Liability	No Deductible
	- Commercial General Liability	No Deductible
	- Employers Liability	No Deductible
	- Public Officials Liability	No Deductible
	- Law Enforcement Liability	No Deductible
Travelers Property Casualty	Boiler and Machinery Policy	1,000
Specialty National Ins. Co.	Inland Marine including Theft	500

In addition to the above coverage the City has contracted with Gulf Insurance Company to carry blanket catastrophic excess liability insurance. The umbrella policy was acquired to cover losses which exceeded the initial coverage amount.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

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

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 10: **DEFINED BENEFIT PENSION PLANS**

All of the City's full-time employees participate in one or two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. **Public Employees Retirement System**

The following information was provided by PERS of Ohio to assist the City in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*.

The City of Strongsville contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The 2001 employer contribution rate for local government employer units was 13.55 percent of covered payroll. Contribution rates are determined actuarially. The 2000 and 1999 employer contribution rates were 10.84 percent and 13.55 percent, respectively. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$1,108,166, \$847,185, and \$932,702, respectively. The full amount has been contributed for 2000 and 1999; 76 percent has been contributed for 2001 with the remainder being reported as a liability within the General Long-Term Obligation Account Group.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 10: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Public Employees Retirement System** (Continued)

provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3 percent of covered payroll, which amounted to \$347,534.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio's net assets available for OPEB at December 31, 2000 was \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

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

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing, multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 10: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

issued a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2001, 2000, and 1999 were \$743,693, \$761,769, and \$631,063 for police and \$782,555, \$782,282, and \$671,927 for firefighters, respectively. The full amount has been contributed for 2000 and 1999; 77 percent has been contributed for 2001 for police and 75 percent has been contributed for fire, with the remainder being reported as a liability within the General Long-Term Obligations Account Group.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-third basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$283,966 representing 7.50 percent of covered payroll for police and \$245,916 representing 7.50 percent of covered payroll for fire. Health care funding and accounting were on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2000, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,853 for police and

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 10: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. **Ohio Police and Fire Pension Fund** (Continued)

of December 31, 2000, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,853 for police and 10,037 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2000 were \$106,160,054, which was net of member contributions of \$5,657,431.

NOTE 11: **OTHER EMPLOYER BENEFITS**

Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation and compensation time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off, or as some other form of compensation, because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that conditions for compensation will be met in the future.

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation and sick leave at different rates depending upon length of service and type of employment. Vacation leave is recognized as earned. All full-time City employees earn vacation at varying rates based upon length of service. An employee's vacation leave balance will carry over into the next fiscal year if it is not used. Upon retirement, termination, lay-off or death, employees are paid accumulated vacation leave. Sick leave may accrue with various limits based upon contracts. Upon retirement, an employee with at least ten years of continuous service is paid one-fourth (1/4) or one-third (1/3) of his or her accumulated sick leave up to various maximum number of hours at current wage rates, based on their contract agreements.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 11: **OTHER EMPLOYER BENEFITS** (Continued)

Compensated Absences (Continued)

In accordance with Governmental Accounting Standards Board (GASB) Statement 16, the City has accrued a liability for compensated absences at December 31, 2001. For governmental fund types, the City recognized the current portion of this liability at December 31, 2001 that is expected to be liquidated with expendable available financial resources. Accumulated vacation and sick leave totaled \$122,195 and is recorded as a liability within the respective fund type since it was used within sixty days of year-end. The remainder of the compensated absences liability for governmental fund types amounted to \$1,692,098 and is recorded as a liability in the general long-term debt group since the timing of future payments is not determinable. For proprietary and internal service funds, accumulated vacation and sick leave is \$93,797 at December 31, 2001. These amounts are recorded as liabilities in the respective enterprise and internal service funds.

NOTE 12: **RETIREMENT INCENTIVE PLAN**

In 1997, the City established a Voluntary Retirement Incentive Plan in compliance with Section 145.297, Ohio Revised Code, under which the City may purchase additional service credit from the Public Employees Retirement System on behalf of certain employees of the City. The effective period of the Plan was May 1, 1997 to December 31, 1999 and the maximum years of service credit purchasable was five years per eligible employee. At December 31, 2001, the City recognized the current portion of the retirement incentive liability of \$269,455 for governmental fund types in the respective funds. The remainder of the liability for governmental fund types amounted to \$815,889 and is recorded as a liability in the general long-term debt account group. For proprietary funds, the retirement incentive liability is \$154,817 at December 31, 2001. This amount was recorded as a liability in the respective enterprise and internal service funds.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 13: **LONG-TERM OBLIGATIONS**

Long-term obligations of the City as of December 31, 2001 were as follows:

<u>General Long-Term Obligations</u> <u>Account Group</u>	<u>Balance</u> <u>January 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31,</u> <u>2001</u>
<u>General Long-Term Debt</u>				
<i>General Obligation Bonds Payable</i>				
Variable Rate (4.0% in 1997 to 5.95% in 2021), 1996 Various Purpose Improvement Bonds refunding due through 2021	\$13,685,000	\$ 0	\$11,560,000	\$ 2,125,000
Variable Rate (3.6% in 1996 to 6.55% in 2009), 1992 various purpose Improvement Bonds due through 2009	2,205,000	0	1,955,000	250,000
Variable Rate (4.0% in 1994 to 6.0% in 2014), 1994 various purpose Improvement Bonds due through 2014	610,000	0	75,000	535,000
Variable Rate (4.05% in 2001 to 5.05% in 2014), 1997 street Improvement Bonds due through 2009	3,575,000	0	335,000	3,240,000
Variable Rate (3% in 2002 to 3.5% in 2006), Library Improvement Bonds due through 2020	0	7,190,000	200,000	6,990,000
Variable Rate (3% in 2002 to 4% in 2007), 2001 Fire Station Bonds due through 2021	0	1,790,000	0	1,790,000
Variable Rate (3% in 2002 to 5% in 2021), refunded 1992 and 1996 Various Purpose Improvement Bonds, due through 2021	0	13,910,000	0	13,910,000
Variable Rate (3% in 2002 to 4% in 2007), Fire Truck Acquisition Bonds due through 2011	0	920,000	0	920,000
Variable Rate (3% in 2002 to 4% in 2007), Communications Equipment Acquisition Bonds due through 2016	0	665,000	0	665,000
Variable Rate (3% in 2002 to 4% in 2007), Service Center Expansion Bond due through 2021	0	460,000	0	460,000
<i>Total General Obligation Bonds Payable</i>	<u>20,075,000</u>	<u>24,935,000</u>	<u>14,125,000</u>	<u>30,885,000</u>

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 13: **LONG-TERM OBLIGATIONS** (Continued)

	Balance January 1, 2001	Additions	Reductions	Balance December 31, 2001
<u>General Long-Term Obligations</u>				
<u>Account Group (Continued)</u>				
General Long-Term Debt (Continued)				
<i>General Obligation Notes Payable</i>				
Ohio Public Works Commission - 0% Note due through 2015	164,204	0	10,947	153,257
Ohio Public Works Commission - 0% Note due through 2016	70,447	0	4,545	65,902
Ohio Public Works Commission- 0% Note due through 2017	57,354	0	3,374	53,980
Ohio Public Works Commission 0% Note Due through 2020	11,521	0	591	10,930
<i>Total General Obligation Notes Payable</i>	<u>303,526</u>	<u>0</u>	<u>19,457</u>	<u>284,069</u>
 <i>Special Assessment Bonds Payable with Government Commitment</i>				
1994 Various Purpose Improvement Bonds due through 2014	930,000	0	45,000	885,000
5.7%, 1996 Various Purpose Improvement Bonds due through 2016	1,090,000	0	45,000	1,045,000
1998 Various Purpose Improvement Bonds due through 2018	290,000	0	10,000	280,000
<i>Total Special Assessment Bonds Payable with Government Commitments</i>	<u>2,310,000</u>	<u>0</u>	<u>100,000</u>	<u>2,210,000</u>
Total General Long-Term Debt	<u>22,688,526</u>	<u>24,935,000</u>	<u>14,244,457</u>	<u>33,379,069</u>
Other Long-Term Obligations				
Notes Payable	3,750,000	0	3,750,000	0
Compensated Absences	1,562,267	129,831	0	1,692,098
Police and Fire Pension Liability	82,202	0	1,084	81,118
Retirement Incentive	1,500,523	0	364,241	1,136,282
Accrued Pension	0	602,058	684,634	815,889
Total Other Long-Term Obligations	<u>6,894,992</u>	<u>731,889</u>	<u>4,435,718</u>	<u>3,191,163</u>
Total General Long-Term Obligations Account Group	<u><u>\$29,583,518</u></u>	<u><u>\$25,666,889</u></u>	<u><u>\$18,680,175</u></u>	<u><u>\$36,570,232</u></u>

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 13: **LONG-TERM OBLIGATIONS** (Continued)

<u>Account Group</u>	<u>Balance January 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2001</u>
Enterprise Funds				
Ohio Water Development Authority, 10.54% 1986 Bonds due through 2011	\$ 5,041,987	\$ 0	\$ 308,246	\$ 4,733,741
Ohio Public Works Commission - 0% Note due through 2015	212,590	0	14,173	198,417
Variable Rate (4.05% in 2001 to 5.05% in 2014), 1997 Sanitary Sewer various purpose improvement due through 2014	2,100,000	0	75,000	2,025,000
Total Enterprise Funds Debt	<u>\$ 7,354,577</u>	<u>\$ 0</u>	<u>\$ 397,419</u>	<u>\$ 6,957,158</u>

General obligation bonds will be paid from revenue derived from charges for services in the enterprise funds. The special assessment bonds will be paid from special assessments and property tax receipts in the debt service fund. In the event the special assessment is not paid by the property owner, the City would be required to pay the debt. The police and fire pension liability will be paid from general revenues. Compensated absences reported in the "compensated absences" account will be paid from the fund from which the employees' salaries are paid. The retirement incentive liability reported in the "retirement incentive" account will be paid from the fund from which the employees' salaries are paid. Accrued pension reported in the "Due to Other Governments" account will be paid from the fund from which the employees' salaries are paid.

Defeased Debt - On October 16, 2001, the City of Strongsville issued general obligation bonds of \$17,745,000 with an interest rate of 4.60 percent to advance refund general obligation bond of \$13,910,000 with an interest rate of 5.09-6.70 percent and to retire short-term notes of \$3,750,000 due in 2001. The general obligation bonds were issued at a premium of \$247,503 and, after paying issuance costs of \$323,474 the net proceeds were \$14,183,549. The net proceeds plus \$400,000 from the bond retirement fund from the issuance of the general obligation bonds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the defeased bond matures on December 1, 2009. The advance refunding met the requirements of an in-substance debt defeasance and the defeased general obligation bonds were removed from the City's General Long-Term Debt Account Group.

As a result of the advance refunding, the City reduced its total debt service requirements by \$47,861 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$616,269.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 13: **LONG-TERM OBLIGATIONS** (Continued)

Principal and Interest Requirements

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2001 are as follows:

Due In	Governmental					
	General Obligation Bonds		Special Assessment Bonds		Police & Fire Pension	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$ 1,475,000	\$ 1,553,063	\$ 110,000	\$ 130,540	\$ 1,130	\$ 3,436
2003	1,630,000	1,355,345	110,000	125,085	1,179	3,387
2004	1,675,000	1,291,920	115,000	119,530	1,229	3,336
2005	1,690,000	1,221,616	120,000	113,105	1,282	3,284
2006	1,775,000	1,150,945	130,000	106,298	1,337	3,229
2007-2011	7,595,000	4,675,045	760,000	405,298	7,597	15,2312
2012-2016	7,040,000	3,123,880	815,000	147,000	9,376	13,454
2017-2021	8,005,000	1,208,449	50,000	4,125	11,569	11,259
2022-2026	1,080,000	64,260	0	0	14,276	8,551
2027-2031	0	0	0	0	17,617	5,210
2032-2035	0	0	0	0	14,526	1,247
	<u>\$ 30,885,000</u>	<u>\$ 15,580,263</u>	<u>\$ 2,210,000</u>	<u>\$ 1,150,981</u>	<u>\$ 81,118</u>	<u>\$ 71,624</u>

Due In	OPWC		Totals	
	Principal	Interest	Principal	Interest
2002	\$ 19,457	\$ 0	\$ 1,805,587	\$ 1,687,039
2003	19,457	0	1,760,636	1,483,818
2004	19,457	0	1,810,586	1,414,786
2005	19,457	0	1,830,739	1,338,005
2006	19,457	0	1,925,794	1,260,472
2007-2011	97,285	0	8,459,882	5,095,574
2012-2016	84,065	0	7,948,441	3,284,334
2017-2021	5,434	0	8,072,003	1,223,833
2022-2026	0	0	14,276	8,551
2027-2031	0	0	17,617	5,210
2032-2035	0	0	14,526	1,247
	<u>\$ 284,069</u>	<u>\$ 0</u>	<u>\$ 33,460,187</u>	<u>\$ 16,802,868</u>

Due In	Enterprise					
	General Obligation Bonds		OWDA		OPWC	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$ 95,000	\$ 96,597	\$ 340,735	\$ 498,936	\$ 14,173	\$ 0
2003	115,000	92,608	376,649	463,023	14,173	0
2004	120,000	87,662	416,347	423,324	14,173	0
2005	140,000	82,443	460,231	379,441	14,173	0
2006	145,000	76,213	508,739	330,932	14,173	0
2007-2011	825,000	271,955	2,631,040	727,648	70,863	0
2012-2016	585,000	60,092	0	0	56,689	0
2017-2021	0	0	0	0	0	0
2022-2026	0	0	0	0	0	0
2027-2031	0	0	0	0	0	0
2032-2036	0	0	0	0	0	0
	<u>\$ 2,025,000</u>	<u>\$ 767,573</u>	<u>\$ 4,733,741</u>	<u>\$ 2,823,304</u>	<u>\$198,417</u>	<u>\$ 0</u>

CITY OF STRONGSVILLE, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED DECEMBER 31, 2001
 (CONTINUED)

NOTE 13: **LONG-TERM OBLIGATIONS** (Continued)

Principal and Interest Requirements (Continued)

<u>Due In</u>	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>
2002	\$ 449,908	\$ 595,533
2003	505,822	555,631
2004	550,520	510,986
2005	614,404	461,884
2006	667,912	407,145
2007-2011	3,526,903	999,603
2012-2016	641,689	60,095
2017-2021	0	0
2022-2026	0	0
2027-2031	0	0
2032-2036	0	0
	<u>\$ 6,957,158</u>	<u>\$ 3,590,877</u>

NOTE 14: **CONDUIT DEBT**

The City of Strongsville is party to certain conduit debt obligations:

<u>Type</u>	<u>On Behalf of</u>	<u>Principal Outstanding December 31, 2001</u>	<u>Year Issued</u>
Industrial Revenue Bonds	Nutro Corporation	\$1,750,000	1994
Total		<u>\$1,750,000</u>	

Although conduit debt obligations bear the name of the City of Strongsville, the City has no responsibility for principal and interest payments on these issues.

NOTE 15: **INTERFUND TRANSACTIONS**

Interfund balances at December 31, 2001 consist of the following fund type receivable and payables:

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 15: **INTERFUND TRANSACTIONS** (Continued)

<u>Fund Type</u>	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 73,110	\$ 0
Special Revenue Funds:		
Motor Vehicle License Fund	205,000	0
Street Construction, Maintenance & Repair	34,423	34,394
Recreation Levy	6,611	0
Clerk of Court-Computer	0	2,375
Fire Levy	1,343	0
Drainage Levy	0	10,947
Law Enforcement DUI/DWI	0	175
Total Special Revenue Funds	<u>247,377</u>	<u>47,891</u>
Debt Service Fund:		
General Bond Retirement	13,220	3,053,904
Capital Projects Fund:		
General Capital Improvement	1,720,000	207,273
Internal Service Funds:		
Building Maintenance	0	34,096
Municipal Garage	0	44,468
Total Internal Service Funds	<u>0</u>	<u>78,564</u>
Enterprise Funds:		
Sanitary Sewer	401,955	0
Sewer Capital Improvement	931,970	0
Total Enterprise Funds	<u>1,333,925</u>	<u>0</u>
Total Interfund Balances	<u>\$3,387,632</u>	<u>\$3,387,632</u>

CITY OF STRONGSVILLE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 16: **ENTERPRISE FUND CONTRIBUTED CAPITAL**

During the year, enterprise fund contributed capital changed by the following amounts:

<u>Source</u>	<u>Sanitary Sewer Lines</u>	<u>Storm Lines</u>	<u>Total</u>
Contributed Capital, January 1, as restated	\$ 37,689,434	\$ 33,724,721	\$ 71,414,155
Contributions from Developers during 2001	229,830	1,052,074	1,281,904
Contributions from Other Funds	0	87,500	87,500
Less: Depreciation in 2001	(1,002,383)	(1,029,439)	(2,031,821)
Contributed Capital, December 31	<u>\$ 36,916,881</u>	<u>\$ 33,834,856</u>	<u>\$ 70,751,738</u>

NOTE 17: **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City's enterprise funds account for the provision of sewer services . The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the City of Strongsville as of and for the year ended December 31, 2001 on a GAAP basis:

	<u>Sewer Capital Improvement</u>	<u>Community Sanitary Sewer</u>	<u>Improvement Corporation</u>	<u>Total</u>
Operating Revenues	\$ 668,580	\$ 7,972,391	\$ 26,149	\$ 8,667,120
Operating Expenses, excluding Depreciation Expense	706,994	5,246,366	6,839	5,960,199
Depreciation Expense	2,399,199	0	0	2,399,199
Operating Income (Loss)	(2,437,613)	2,726,025	19,310	307,722
Non-Operating Expenses - Interest and Fiscal Charges	0	25,164	240	25,404
Net Income	(737,613)	1,051,189	19,550	333,126
Bonds and Other Long-Term Liabilities	4,932,158	2,025,000	0	6,957,158
Total Assets	43,851,247	41,524,458	19,550	85,395,255
Net Working Capital	1,146,732	4,952,065	19,550	6,118,347
Retained Earnings	3,622,064	2,361,454	19,550	6,003,068

CITY OF STRONGSVILLE, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED DECEMBER 31, 2001
 (CONTINUED)

NOTE 18: **CONSTRUCTION COMMITMENTS**

As of December 31, 2001, the City had the following significant commitments with respect to Capital Projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>
Fire Station	\$ 70,099
Traffic Signalization	62,699
Citywide Paving	114,882
	<u>\$ 247,680</u> =====

NOTE 19: **CONTINGENT LIABILITIES**

There are several lawsuits pending in which the City is involved. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

NOTE 20: **SUBSEQUENT EVENTS**

In 2002, the City will be constructing, furnishing, and equipping a new public library building which will be financed by a half (1/2) mill voted property tax at the cost of \$7,193,000.

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

Honorable Mayor, Finance Director and
Members of City Council
City of Strongsville, Ohio

We have audited the general purpose financial statements of the City of Strongsville, Ohio (the City), as of and for the year ended December 31, 2001, and have issued our report thereon dated June 14, 2002. The City adopted Governmental Accounting Standards Board Statements Number 33 and 36 for the year ended December 31, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Strongsville, Ohio, in a separate letter dated June 14, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated June 14, 2002.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

June 14, 2002

James G. Zupka
Certified Public Accountant

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Honorable Mayor, Finance Director,
and Members of City Council
City of Strongsville, Ohio

Compliance

We have audited the compliance of the City of Strongsville, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. The City of Strongsville, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Strongsville, Ohio's management. Our responsibility is to express an opinion on the City of Strongsville, Ohio's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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 Strongsville, 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. Our audit does not provide a legal determination on the City of Strongsville, Ohio's compliance with those requirements.

In our opinion, the City of Strongsville, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001. However, the results of our auditing procedures disclosed immaterial instances of noncompliance with those requirements that we have reported to the management of the City in a separate letter dated June 14, 2002.

Internal Control Over Compliance

The management of the City of Strongsville, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Strongsville, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the City of Strongsville, Ohio, as of and for the year ended December 31, 2001, and have issued our report thereon dated June 15, 2001. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of the City of Strongsville, Ohio. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

June 14, 2002

James G. Zupka
Certified Public Accountant

CITY OF STRONGSVILLE, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Pass Through Entity Identifying Number	Revenues/ Receipts	Expenditures/ Disbursements
<u>United States Department of Transportation</u>				
Pass through the Ohio Department of Transportation				
Highway Planning and Construction (Federal Aid Highway Program)	20.205	42420J85	\$ 284,001	\$ 284,001
Pass through the Ohio Department of Public Safety				
Highway Safety Program	20.600	N/A	15,296	15,296
Total United States Department of Transportation			<u>299,297</u>	<u>299,297</u>
<u>United States Department of Justice</u>				
Direct Program:				
Drug Abuse Resistance Education	16.580		27,130	27,130
COPS Fast	16.710	95-CF-WX-3249	75,000	75,000
COPS More	16.710	96-CM-WX-1053	54,487	54,487
Bulletproof Vest Program	16.607		17,813	17,813
Total United States Department of Justice			<u>174,430</u>	<u>174,430</u>
<u>United States Department of Housing and Urban Development</u>				
Pass through the Cuyahoga County Department of Development				
Community Development Block Grant	14.218	CE-10130A1999	9,368	9,368
Total United States Department of Housing and Urban Development			<u>9,368</u>	<u>9,368</u>
Total Expenditures of Federal Awards			<u><u>\$ 483,095</u></u>	<u><u>\$ 483,095</u></u>

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

CITY OF STRONGSVILLE, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1: **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards of the City of Strongsville, Ohio, presents the activity of all federal financial assistance programs of the City. The City's reporting entity is defined in Note 1 to the City's general purpose financial statements. Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies are included on this schedule.

NOTE 2: **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting and has been reconciled to the program's federal financial reports. The following is a reconciliation by grant from the cash basis to the accrual basis at December 31, 2001.

	<u>Receipt Recognized</u>	<u>Direct Program Expenditures</u>
<u>Department of Transportation</u>		
Cash Basis	\$ 700,968	\$ 376,365
2001 Accrual Adjustment	99,114	25,456
Prior Period Adjustment	(130,290)	0
2000 Accrual Adjustment	(370,495)	(102,524)
Department of Transportation - Accrual Basis	\$ 299,297	\$ 299,297
<u>Department of Justice</u>		
Cash Basis	\$ 433,728	\$ 174,430
2001 Accrual Adjustment	37,500	0
Prior Period Adjustment	(296,798)	0
Department of Justice - Accrual Basis	\$ 174,430	\$ 174,430
<u>Department of Housing and Urban Development</u>		
Cash Basis	\$ 110,883	\$ 110,883
2000 Accrual Adjustment	(101,515)	(101,515)
Department of Housing and Urban Development - Accrual Basis	\$ 9,368	\$ 9,368

CITY OF STRONGSVILLE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 DECEMBER 31, 2001

1. **SUMMARY OF AUDITOR'S RESULTS**

2001(i)	Type of Financial Statement Opinion	Unqualified
2001(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2001(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2001(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2001(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2001(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2001(v)	Type of Major Programs' Compliance Opinions	Unqualified
2001(vi)	Are there any reportable findings under .510?	No
2001(vii)	Major Programs (list):	<ol style="list-style-type: none"> 1. Highway Planning and Construction (Federal Aid Highway Program) 2. COPS Fast and COPS More
2001(viii)	Dollar Threshold: A/B Programs	Type A: \$300,000 Type B: All Others
2001(ix)	Low Risk Auditee?	No

CITY OF STRONGSVILLE, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2001

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 STRONGSVILLE, OHIO
SUMMARY SCHEDULE OF PRIOR YEAR RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2001

Prior Recommendations

The prior audit report, as of December 31, 2000, included management letter recommendations. These have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF STRONGVILLE

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 30, 2002**