



**CITY OF STRONGSVILLE  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2007**



**Mary Taylor, CPA**  
Auditor of State



**CITY OF STRONGSVILLE  
CUYAHOGA COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

City of Strongsville  
Cuyahoga County  
16099 Foltz Parkway  
Strongsville, Ohio 44149

To the Members of City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Strongsville, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Strongsville, Cuyahoga County, Ohio, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and the Street Construction, Maintenance and Repair, Fire Levy, and Multi-Purpose Complex special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the City restated the January 1, 2007 net assets of the Governmental and Business-Type Activities due to change in policy for depreciating capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

July 31, 2008

**CITY OF STRONGSVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(Unaudited)**

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As management of the City of Strongsville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of 2007 by \$222,929,328. Of this amount, \$17,721,358 is considered unrestricted. The unrestricted net assets of the City's governmental activities was \$13,042,068 and may be used to meet the government's on-going obligations. The unrestricted net assets of the City's business-type activities was \$4,679,290, with Invested with Capital Assets, Net of Related Debt accounting for \$49,079,857 or 91 percent of the total business-type activities' net assets.
- The City's total net assets decreased \$1,539,372 or .7 percent in 2007. Net assets of the governmental activities increased \$212,885, which represents a .1 percent increase from 2006. Net assets of the business-type activities decreased \$1,752,257 or 3.2 percent from 2006.
- The general fund reported a fund balance of \$11,081,971 at the end of the current fiscal year. The unreserved fund balance for the general fund was \$10,809,794 or 34.9 percent of the total general fund expenditures (including transfers out). There was a \$1,102,783 increase in the total general fund balance for the year ended December 31, 2007.
- On a cash basis, the City's income tax collections decreased by approximately \$25,600 or .09 percent during 2007.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

***Government-wide Financial Statements.*** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net assets and statement of activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in one column.

**CITY OF STRONGSVILLE, OHIO**  
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The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, public health services, transportation, community environment, public works, leisure-time activities, and interest and fiscal charges. The business-type activities include sanitary sewer services and improvements.

The government-wide financial statements can be found starting on page 15 of this report.

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

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

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



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The City maintains 28 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Levy Fund, Street Construction, Maintenance and Repair Fund, Fire Station Capital Improvement Fund, General Bond Retirement Fund, Special Assessment Bond Retirement Fund, and the Multi-Purpose Complex Fund, all of which are considered to be major funds. Data from the other 21 governmental funds are combined into a single aggregated presentation.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

**Proprietary Funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its sanitary sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitary sewer operations as it is considered a major fund.

The basic proprietary fund financial statements can be found on pages 25-27 of this report.

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

The basic fiduciary fund financial statement can be found on page 28 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and can be found on pages 29-66.

### **Government-wide Financial Analysis**

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

**CITY OF STRONGSVILLE, OHIO**  
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These two statements report the City's net assets and the changes in those assets. The change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of capital assets will also need to be evaluated.

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

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning and End of Year

**The City of Strongsville as a Whole**

Recall that the Statement of Net Assets looks at the City as a whole. The following provides a summary of the City's net assets for 2007 compared to 2006.

**Table 1 - Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006 Restated	2007	2006 Restated	2007	2006 Restated
<b>Assets</b>						
Current and Other Assets	\$ 43,361,643	\$ 50,805,732	\$ 4,962,841	\$ 7,472,894	\$ 48,324,484	\$ 58,278,626
Capital Assets	<u>180,249,762</u>	<u>175,773,216</u>	<u>55,185,632</u>	<u>56,442,186</u>	<u>235,435,394</u>	<u>232,215,402</u>
<b>Total Assets</b>	<u>223,611,405</u>	<u>226,578,948</u>	<u>60,148,473</u>	<u>63,915,080</u>	<u>283,759,878</u>	<u>290,494,028</u>
<b>Liabilities</b>						
Long-Term Liabilities	42,846,168	45,131,011	6,272,750	7,100,858	49,118,918	52,231,869
Other Liabilities	<u>11,595,056</u>	<u>12,490,641</u>	<u>116,576</u>	<u>1,302,818</u>	<u>11,711,632</u>	<u>13,793,459</u>
<b>Total Liabilities</b>	<u>54,441,224</u>	<u>57,621,652</u>	<u>6,389,326</u>	<u>8,403,676</u>	<u>60,830,550</u>	<u>66,025,328</u>
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	140,167,160	133,161,157	49,079,857	49,484,261	189,247,017	182,645,418
Restricted	15,960,953	24,010,977	0	0	15,960,953	24,010,977
Unrestricted	<u>13,042,068</u>	<u>11,785,162</u>	<u>4,679,290</u>	<u>6,027,143</u>	<u>17,721,358</u>	<u>17,812,305</u>
<b>Total Net Assets</b>	<u>\$169,170,181</u>	<u>\$168,957,296</u>	<u>\$53,759,147</u>	<u>\$55,511,404</u>	<u>\$222,929,328</u>	<u>\$224,468,700</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's total assets exceeded total liabilities by \$222,929,328 at the close of the most recent fiscal year.

**CITY OF STRONGSVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**(Unaudited)**

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The largest portion of the City's total net assets (85 percent) reflects its investments in capital assets (e.g., land, buildings, land improvements, machinery and equipment, furniture and fixtures, vehicles, construction in progress and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets reflects resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's on-going obligations to citizens and creditors. It is important to note that, although the total unrestricted net assets is \$17,721,358; the unrestricted net assets of the City's business-type activities, \$4,679,290 may not be used to fund governmental activities.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Total assets decreased by \$6,734,150 from 2006 to 2007, while the City's total liabilities decreased by \$5,194,778. The decrease in assets can be primarily attributed to the continued construction costs associated with the Ward 4 Fire Station. The sale of bonds for this project occurred in 2006 while the majority of expenditures occurred in 2007. The decrease in liabilities is primarily due to the increase in the amount of principal retired in 2007.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year.

**CITY OF STRONGSVILLE, OHIO**  
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**Table 2 - Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 6,518,374	\$ 7,675,589	\$ 6,113,473	\$ 8,947,352	\$12,631,847	\$ 16,622,941
Operating Grants and Contributions	1,562,212	2,468,744	0	0	1,562,212	2,468,744
Capital Grants and Contributions	187,130	1,183,781	0	0	187,130	1,183,781
General Revenues:						
Property Taxes	8,986,700	8,969,095	0	0	8,986,700	8,969,095
Income Taxes	27,405,717	27,408,774	0	0	27,405,717	27,408,774
Other Taxes	2,702,461	1,735,735	0	0	2,702,461	1,735,735
Grants and Entitlements	2,201,145	1,743,170	0	0	2,201,145	1,743,170
Investment Earnings	1,765,591	1,488,166	0	0	1,765,591	1,488,166
Other	0	100,798	0	0	0	100,798
<b>Total Revenues</b>	<u>51,329,330</u>	<u>52,773,852</u>	<u>6,113,473</u>	<u>8,947,352</u>	<u>57,442,803</u>	<u>61,721,204</u>
<b>Program Expenses</b>						
General Government	6,786,628	6,733,553	0	0	6,786,628	6,733,553
Security of Persons and Property	18,018,132	15,574,728	0	0	18,018,132	15,574,728
Public Health Services	691,325	1,159,001	0	0	691,325	1,159,001
Transportation	14,221,684	4,964,705	0	0	14,221,684	4,964,705
Community Environment	1,412,973	1,185,523	0	0	1,412,973	1,185,523
Public Works	2,512,831	2,534,684	0	0	2,512,831	2,534,684
Leisure Time Activities	5,489,674	4,692,170	0	0	5,489,674	4,692,170
Interest and Fiscal Charges	1,983,198	1,817,551	377,977	413,679	2,361,175	2,231,230
Sewer	0	0	7,487,753	10,163,278	7,487,753	10,163,278
<b>Total Program Expenses</b>	<u>51,116,445</u>	<u>38,661,915</u>	<u>7,865,730</u>	<u>10,576,957</u>	<u>58,982,175</u>	<u>49,238,872</u>
<i>Increase (Decrease) in Net Assets</i>	<u>\$ 212,885</u>	<u>\$14,111,937</u>	<u>\$(1,752,257)</u>	<u>\$(1,629,605)</u>	<u>\$(1,539,372)</u>	<u>\$12,482,332</u>

**Governmental Activities**

Governmental activities increased the City's net assets by \$212,885 due to total revenues of \$51,329,330 exceeding total program expenses of \$51,116,445. Several types of revenues fund the City's governmental activities with the City income tax being the biggest contributor. The income tax rate was 2.0 percent for 2007, the same as the prior year. Both residents of the City and non-residents who work inside the City are subject to the income tax. However, if residents work in a locality that has a municipal income tax, the City has provided a 75 percent credit up to 2.0 percent for those who pay income tax to another City. City Council could, by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

The income tax revenue for 2007 was \$27,405,717. Of the \$51,329,330 in total revenues, income tax accounts for 53 percent of that total. Property taxes of \$8,986,700 account for 18 percent of total revenues; operating grants, capital grants and contributions, and general revenues from grants and entitlements account for 8 percent of total governmental revenues; and charges for services and other revenue make up the remaining 21 percent.

**CITY OF STRONGSVILLE, OHIO**  
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General revenues from grants and entitlements, such as local government funds, are also revenue generators. With the combination of property tax, income tax, and intergovernmental funding, all expenses in the governmental activities are funded. The City monitors its sources of revenues very closely for fluctuations.

For the most part, increases in expenses closely parallel inflation and growth in the demand for City services. The largest program function for the City is Security of Persons and Property. During 2007, 31 percent of program expenses related to Security of Persons and Property, which includes Police and Fire Protection. The expenditures of this program increased from 2006 to 2007 by \$2,443,404, which is the direct result of staffing levels reaching recommended City levels and the increased maintenance of older equipment and facilities.

The second largest program function of the City is transportation. During 2007, 24 percent of program expenditures related to transportation, which includes road repairs and snow removal. The expenditures of this program increased by \$9,256,979 from 2006 to 2007. The Route 82 project was capitalized in 2006, thus reducing the amount of expenditures in 2006. In 2007, the City expended over \$5,000,000 in road repairs and maintenance that was not capitalized.

### **Business-Type Activities**

The business-type activities of the City, which pertain to the City's sewer operations, decreased the City's net assets by \$1,752,257. This is due to a decrease in utility revenues for the Sanitary Sewer Fund.

### **Financial Analysis of Governmental Funds**

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

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

As of December 31, 2007, the City's governmental funds reported ending fund balances of \$24,256,867, a decrease of \$6,353,733 in comparison with the prior year. \$20,558,037 of the ending fund balance for 2007 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts to pay debt service, and for a variety of other restricted purposes.

**CITY OF STRONGSVILLE, OHIO**  
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At December 31, 2007, unreserved fund balance of the general fund was \$10,809,794, while total fund balance was \$11,081,971. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures (including transfers out).

The fund balance of the City's general fund when compared to 2006 increased by \$1,102,783 during 2007. Key factors in this increase are as follows:

- Investment income increased due to an increase in rates earned by investments and an increase in the amount of principal invested .
- Modest increase in employee fringe benefits and prudent financial management.
- The continued reduction of tax credit granted by the City from 100 percent to 75 percent for income tax paid to other municipalities by City residents.

#### **GENERAL FUND**

The General Fund is the chief operating fund of the City. At the beginning of the current year, total fund balance for the General Fund was \$9,979,188. General Fund expenditures (including transfers out) for the current year were \$30,999,782, with revenues and other financing sources of \$32,102,565, leaving a fund balance of \$11,081,971, and an unreserved balance of \$10,809,794 in the General Fund.

#### **General Fund Budgetary Highlights**

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of 2007, the City amended its General Fund budget on various occasions. All recommendations for budget changes come to the Finance Committee of City Council for review before going to the whole Council for ordinance enactment on the change. The City does allow small interdepartmental budget changes that modify line items within departments within the same fund. The General Fund supports many of the City's major activities such the Police Department and Fire Departments, Service Department, and Recreation Department, as well as most legislative and executive activities. The General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, original budgeted revenues (including other financing sources) were \$31,028,030. The final budgeted revenue amount (including other financing sources) was \$31,730,186. This increase was primarily due to an increase in municipal income taxes and Motel/Hotel taxes. Original General Fund budgeted expenditures (including other financing uses) were \$32,151,900 and the final amended budgeted expenditures (including other financing uses) were \$32,849,200. Actual General Fund expenditures were \$30,736,681 or \$2,112,519 less than was budgeted due to prudent fiscal management.

**CITY OF STRONGSVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for governmental and business-type activities as of December 31, 2007, amounts to \$235,435,394 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and fixtures, vehicles, streets and sidewalks, traffic signalization, and drainage systems.

**Table 3 - Capital Assets at December 31, 2007, Net of Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006 Restated	2007	2006 Restated	2007	2006 Restated
Land	\$ 5,977,912	\$ 5,855,912	\$ 1,508,079	\$ 1,508,079	\$ 7,485,991	\$ 7,363,991
Construction in Progress	<u>6,907,543</u>	<u>1,818,647</u>	<u>287,059</u>	<u>0</u>	<u>7,194,602</u>	<u>1,818,647</u>
<b>Total Non-Depreciable</b>	<u>12,885,455</u>	<u>7,674,559</u>	<u>1,795,138</u>	<u>1,508,079</u>	<u>14,680,593</u>	<u>9,182,638</u>
Buildings	25,164,629	24,655,801	5,508,677	5,696,634	30,673,306	30,352,435
Improvements	937,702	814,891	248,664	251,605	1,186,366	1,066,496
Machinery and Equipment	1,207,443	1,044,798	1,052,544	469,108	2,259,987	1,513,906
Furniture and Fixtures	397,268	540,687	986	986	398,254	541,673
Vehicles	3,565,515	2,714,547	759,803	881,857	4,325,318	3,596,404
Infrastructure:						
Streets	83,112,676	83,784,215	0	0	83,112,676	83,784,215
Storm Sewers	45,632,906	46,781,194	0	0	45,632,906	46,781,194
Sidewalks	3,617,203	3,858,753	0	0	3,617,203	3,858,753
Traffic Signals	3,728,965	3,903,771	0	0	3,728,965	3,903,771
Sanitary Sewer	<u>0</u>	<u>0</u>	<u>45,819,820</u>	<u>47,633,917</u>	<u>45,819,820</u>	<u>47,633,917</u>
<b>Total Depreciable</b>	<u>167,364,307</u>	<u>168,098,657</u>	<u>53,390,494</u>	<u>54,934,107</u>	<u>220,754,801</u>	<u>223,032,764</u>
<b>Total Capital Assets</b>	<u>\$180,249,762</u>	<u>\$175,773,216</u>	<u>\$55,185,632</u>	<u>\$56,442,186</u>	<u>\$235,435,394</u>	<u>\$232,215,402</u>

Major capital asset events during 2007 included the following:

- Total capital assets, net of accumulated depreciation, increased by \$3,219,992.
- Business-type activity capital assets decreased by \$1,256,554 (net of accumulated depreciation). The decrease was due to the aging of infrastructure.
- Governmental activity capital assets increased by \$4,476,546 (net of accumulated depreciation). This increase was primarily due to the completion of many road projects.

**Debt**

The general bond retirement debt service fund has a total fund balance of \$2,493,415. The general bond retirement fund is funded primarily with real estate tax revenue at the level necessary to meet debt service requirements. At December 31, 2007, the City had \$46,188,377 of notes, bonds, and loans outstanding, with \$40,082,602 in governmental activities and \$6,105,775 in business-type activities and are included herein.

**CITY OF STRONGSVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2007**  
**(Unaudited)**

**Table 4 - Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Long Term Debt</b>						
General Obligation Bonds	\$38,440,000	\$40,810,000	\$ 0	\$ 0	\$38,440,000	\$40,810,000
OPWC Loan	157,602	177,059	106,292	120,465	263,894	297,524
OWDA Loan	0	0	4,744,483	5,427,460	4,744,483	5,427,460
Special Assessment Bonds	1,485,000	1,625,000	0	0	1,485,000	1,625,000
Sanitary Sewer Bonds	0	0	1,255,000	1,410,000	1,255,000	1,410,000
<b>Total Outstanding Debt</b>	<u>\$40,082,602</u>	<u>\$42,612,059</u>	<u>\$ 6,105,775</u>	<u>\$ 6,957,925</u>	<u>\$46,188,377</u>	<u>\$49,569,984</u>

In a continuing effort to be conscientious about how taxpayer dollars are spent, the City maintained throughout 2007 a Moody's Investors Service Aa1 rating. Strongsville remains one of the few cities in Ohio to have been awarded the Aa1 rating.

The City is within all of its legal debt limitations. The Ohio Revised Code provides that the net debt (as defined in the Ohio Revised Code) of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of the total taxation value of property. The statutory limitations on debt are measured by the ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2007, the City's total net debt amounted to 3 percent of the total assessed value of all property within the City. Unvoted net debt amounted to 2.60 percent of the total assessed value of all property within the City. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which the City lies, is limited to ten mills. This millage is measured against the property values in each overlapping district.

**Economic Factors**

The City's elected and appointed officials considered many factors when setting the fiscal year 2007 budget. The uncertain economic conditions and mortgage crisis have dictated that a conservative approach be taken with all of the City's financial matters as the City strives to maintain its objectives for the 2007 budget: jobs, safety, and a long-term fiscal stability. With the uncertainty surrounding the economy, the City considered the impact on two primary revenues sources: income tax revenue, and state shared revenue. City Council decided that it was important to: 1) continue the City's investment in job creation; 2) put the highest premium on safety for the people of the City and City employees; and 3) adopt a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2007 budget, the City recognized the need to continue its pattern of cost containment while pursuing new revenue sources.



**CITY OF STRONGSVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2007**  
**(Unaudited)**

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**Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Strongsville's finances and to show accountability for the money it receives, spends, or invests. If you have any questions about this report or need financial information contact Director of Finance, Donald C. Batke, City of Strongsville, 16099 Foltz Parkway, Strongsville, Ohio 44149, telephone 440-580-3125.

# *Basic Financial Statements*

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2007**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 19,747,725	\$ 4,095,333	\$ 23,843,058
Materials and Supplies Inventory	464,167	335	464,502
Accounts Receivable	328,404	1,756,752	2,085,156
Internal Balances	889,579	(889,579)	0
Intergovernmental Receivable	2,983,494	0	2,983,494
Prepaid Items	243,100	0	243,100
Taxes Receivable	16,073,520	0	16,073,520
Special Assessments Receivable	2,218,738	0	2,218,738
Unamortized Bond Issuance Costs	412,916	0	412,916
Nondepreciable Capital Assets	12,885,455	1,795,138	14,680,593
Depreciable Capital Assets, Net	<u>167,364,307</u>	<u>53,390,494</u>	<u>220,754,801</u>
<b>Total Assets</b>	<u>223,611,405</u>	<u>60,148,473</u>	<u>283,759,878</u>
<b>Liabilities</b>			
Accounts Payable	751,222	26,638	777,860
Accrued Wages	458,969	36,836	495,805
Contracts Payable	351,358	0	351,358
Intergovernmental Payable	1,417,940	53,102	1,471,042
Deferred Bond Premium	280,889	0	280,889
Accrued Interest Payable	154,574	0	154,574
Deferred Revenue	8,180,104	0	8,180,104
Long-Term Liabilities:			
Due Within One Year	3,747,834	1,051,759	4,799,593
Due in More Than One Year	<u>39,098,334</u>	<u>5,220,991</u>	<u>44,319,325</u>
<b>Total Liabilities</b>	<u>54,441,224</u>	<u>6,389,326</u>	<u>60,830,550</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	140,167,160	49,079,857	189,247,017
Restricted for:			
Capital Projects	2,884,525	0	2,884,525
Debt Service	5,676,380	0	5,676,380
Other Purposes	7,400,048	0	7,400,048
Unrestricted	<u>13,042,068</u>	<u>4,679,290</u>	<u>17,721,358</u>
<b>Total Net Assets</b>	<u>\$ 169,170,181</u>	<u>\$ 53,759,147</u>	<u>\$ 222,929,328</u>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
<i>Governmental Activities:</i>							
Security of Persons and Property	\$ 18,018,132	\$ 953,819	\$ 97,091	\$ 0	\$ (16,967,222)	\$ 0	\$ (16,967,222)
Public Health Services	691,325	60,876	0	0	(630,449)	0	(630,449)
Leisure Time Activities	5,489,674	3,008,295	0	0	(2,481,379)	0	(2,481,379)
Community Environment	1,412,973	0	10,000	170,663	(1,232,310)	0	(1,232,310)
Public Works	2,512,831	0	0	16,467	(2,496,364)	0	(2,496,364)
Transportation	14,221,684	57,820	1,455,121	0	(12,708,743)	0	(12,708,743)
General Government	6,786,628	2,437,564	0	0	(4,349,064)	0	(4,349,064)
Interest and Fiscal Charges	1,983,198	0	0	0	(1,983,198)	0	(1,983,198)
<i>Total Governmental Activities</i>	<u>51,116,445</u>	<u>6,518,374</u>	<u>1,562,212</u>	<u>187,130</u>	<u>(42,848,729)</u>	<u>0</u>	<u>(42,848,729)</u>
<i>Business-Type Activities:</i>							
Sanitary Sewer Fund	7,865,730	6,113,473	0	0	0	(1,752,257)	(1,752,257)
<i>Total Business-Type Activities</i>	<u>7,865,730</u>	<u>6,113,473</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,752,257)</u>	<u>(1,752,257)</u>
<b>Total Primary Government</b>	<u>\$ 58,982,175</u>	<u>\$ 12,631,847</u>	<u>\$ 1,562,212</u>	<u>\$ 187,130</u>	<u>(42,848,729)</u>	<u>(1,752,257)</u>	<u>(44,600,986)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					522,343	0	522,343
Special Revenue					4,610,482	0	4,610,482
Debt Service					3,853,875	0	3,853,875
Income Taxes Levied for:							
General Purposes					24,573,922	0	24,573,922
Special Revenue					2,831,795	0	2,831,795
Other Taxes for:							
General Purposes					2,385,214	0	2,385,214
Special Revenue					317,247	0	317,247
Grants and Entitlements not Restricted to Specific Programs					2,201,145	0	2,201,145
Investment Earnings					1,765,591	0	1,765,591
<b>Total General Revenues</b>					<u>43,061,614</u>	<u>0</u>	<u>43,061,614</u>
Change in Net Assets					212,885	(1,752,257)	(1,539,372)
Net Assets Beginning of Year, as Restated (Note 3)					168,957,296	55,511,404	224,468,700
<b>Net Assets End of Year</b>					<u>\$ 169,170,181</u>	<u>\$ 53,759,147</u>	<u>\$ 222,929,328</u>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2007**

	General	Street Construction, Maintenance, and Repair	Fire Levy	Multi- Purpose Complex	General Bond Retirement	Special Assessments Bond Retirement	Fire Station Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>									
Equity in Pooled Cash and Cash Equivalents	\$ 8,089,286	\$ 1,767,310	\$ 443,819	\$ 496,621	\$ 1,603,836	\$ 498,148	\$ 1,453,805	\$ 5,394,900	\$ 19,747,725
Taxes Receivable	6,552,042	1,245,734	3,156,981	0	3,820,168	0	0	1,298,595	16,073,520
Accounts Receivable	19,077	0	125	0	0	0	0	309,202	328,404
Special Assessments Receivable	36,815	0	0	0	0	2,181,923	0	0	2,218,738
Intergovernmental Receivable	1,673,055	703,100	199,408	0	246,556	0	0	161,375	2,983,494
Due from Other Funds	0	0	0	0	889,579	0	0	0	889,579
Inventory	29,077	432,823	0	2,267	0	0	0	0	464,167
Prepaid Items	243,100	0	0	0	0	0	0	0	243,100
<b>Total Assets</b>	<b>\$ 16,642,452</b>	<b>\$ 4,148,967</b>	<b>\$ 3,800,333</b>	<b>\$ 498,888</b>	<b>\$ 6,560,139</b>	<b>\$ 2,680,071</b>	<b>\$ 1,453,805</b>	<b>\$ 7,164,072</b>	<b>\$ 42,948,727</b>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities</b>									
Accounts Payable	\$ 486,837	\$ 184,493	\$ 13,283	\$ 56,247	\$ 0	\$ 0	\$ 2,875	\$ 7,487	\$ 751,222
Contracts Payable	0	0	0	0	0	0	63,149	288,209	351,358
Salaries, Wages, and Benefits Payable	205,808	86,000	118,195	43,989	0	0	0	4,977	458,969
Intergovernmental Payable	1,101,579	8,509	23,687	9,662	0	0	0	274,503	1,417,940
Deferred Revenue	3,766,257	928,092	3,356,389	0	4,066,724	2,181,923	0	1,412,986	15,712,371
<b>Total Liabilities</b>	<b>\$ 5,560,481</b>	<b>\$ 1,207,094</b>	<b>\$ 3,511,554</b>	<b>\$ 109,898</b>	<b>\$ 4,066,724</b>	<b>\$ 2,181,923</b>	<b>\$ 66,024</b>	<b>\$ 1,988,162</b>	<b>\$ 18,691,860</b>
<b>Fund Balances</b>									
Reserved for Inventory	29,077	432,823	0	2,267	0	0	0	0	464,167
Reserved for Prepaid Items	243,100	0	0	0	0	0	0	0	243,100
Reserved for Debt Service	0	0	0	0	2,493,415	498,148	0	0	2,991,563
Unreserved	10,809,794	2,509,050	288,779	386,723	0	0	1,387,781	5,175,910	20,558,037
<b>Total Fund Balances (Deficits)</b>	<b>\$ 11,081,971</b>	<b>\$ 2,941,873</b>	<b>\$ 288,779</b>	<b>\$ 388,990</b>	<b>\$ 2,493,415</b>	<b>\$ 498,148</b>	<b>\$ 1,387,781</b>	<b>\$ 5,175,910</b>	<b>\$ 24,256,867</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 16,642,452</b>	<b>\$ 4,148,967</b>	<b>\$ 3,800,333</b>	<b>\$ 498,888</b>	<b>\$ 6,560,139</b>	<b>\$ 2,680,071</b>	<b>\$ 1,453,805</b>	<b>\$ 7,164,072</b>	<b>\$ 42,948,727</b>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO**  
**NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2007**

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**Total Governmental Fund Balances** \$24,256,867

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 180,249,762

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

Property Taxes	\$ 565,568	
Grants and Entitlements	1,880,825	
Income Tax	2,867,136	
Special Assessments	<u>2,218,738</u>	
Total		7,532,267

Deferred charges for bond premium and unamortized bond issuance costs reported in the net assets of governmental activities but not reported in the funds.

Deferred Charges for Bond Premium	(280,889)	
Unamortized Bond Issuance Costs	<u>412,916</u>	
Total		132,027

Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(38,440,000)	
OPWC Loan	(157,602)	
Special Assessment Bonds	(1,485,000)	
Compensated Absences	(2,763,566)	
Accrued Interest Payable	<u>(154,574)</u>	
Total		<u>(43,000,742)</u>

**Net Assets of Governmental Activities** \$169,170,181

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Street Construction, Maintenance, and Repair	Fire Levy	Multi- Purpose Complex	General Bond Retirement	Special Assessments Bond Retirement	Fire Station Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>									
Municipal Income Taxes	\$ 24,659,573	\$ 2,849,337	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$27,508,910
Property Taxes	524,517	0	3,236,395	0	3,823,846	0	0	1,343,913	8,928,671
Other Taxes	2,087,224	0	0	0	0	0	0	317,247	2,404,471
Intergovernmental Revenue	1,311,321	1,727,482	314,068	76,239	384,400	0	0	367,097	4,180,607
Special Assessments	0	0	0	0	0	140,000	0	0	140,000
Charges for Services	238,520	30,642	987	2,886,419	0	0	400	1,597,948	4,754,916
Fines, Licenses, and Permits	1,339,488	0	1,680	0	0	0	0	24,618	1,365,786
Interest Income	1,501,064	93,165	0	0	0	140,735	0	15,178	1,750,142
Miscellaneous	379,053	12,468	32,644	14,639	0	0	0	3,164	441,968
<b>Total Revenues</b>	<b>32,040,760</b>	<b>4,713,094</b>	<b>3,585,774</b>	<b>2,977,297</b>	<b>4,208,246</b>	<b>280,735</b>	<b>400</b>	<b>3,669,165</b>	<b>51,475,471</b>
<b>Expenditures</b>									
Current:									
General Government	6,478,223	0	0	0	0	0	0	0	6,478,223
Security of Persons and Property	8,573,735	0	6,115,683	0	0	0	3,082	2,599,065	17,291,565
Public Health Services	315,983	0	0	0	0	0	0	373,138	689,121
Leisure Time Activities	377,779	0	0	4,565,386	0	0	0	0	4,943,165
Community Environment	1,369,984	0	0	0	0	0	0	147,812	1,517,796
Public Works	2,505,278	0	0	0	0	0	0	7,553	2,512,831
Transportation	0	7,318,990	0	0	0	0	0	365,091	7,684,081
Capital Outlay	783,800	2,472,855	31,240	186,736	0	0	5,013,979	3,759,787	12,248,397
Debt Service:									
Principal Retirement	0	0	0	0	2,370,000	140,000	0	19,457	2,529,457
Interest and Fiscal Charges	0	0	0	0	1,866,523	98,895	0	0	1,965,418
<b>Total Expenditures</b>	<b>20,404,782</b>	<b>9,791,845</b>	<b>6,146,923</b>	<b>4,752,122</b>	<b>4,236,523</b>	<b>238,895</b>	<b>5,017,061</b>	<b>7,271,903</b>	<b>57,860,054</b>
Excess of Revenues Over (Under) Expenditures	11,635,978	(5,078,751)	(2,561,149)	(1,774,825)	(28,277)	41,840	(5,016,661)	(3,602,738)	(6,384,583)
<b>Other Financing Sources (Uses)</b>									
Transfers In	30,955	3,800,000	2,500,000	1,700,000	0	0	0	2,595,000	10,625,955
Transfers Out	(10,595,000)	0	0	0	0	0	(11,431)	(19,524)	(10,625,955)
Sale of Fixed Assets	30,850	0	0	0	0	0	0	0	30,850
<b>Total Other Financing Sources (Uses)</b>	<b>(10,533,195)</b>	<b>3,800,000</b>	<b>2,500,000</b>	<b>1,700,000</b>	<b>0</b>	<b>0</b>	<b>(11,431)</b>	<b>2,575,476</b>	<b>30,850</b>
Net Change in Fund Balances	1,102,783	(1,278,751)	(61,149)	(74,825)	(28,277)	41,840	(5,028,092)	(1,027,262)	(6,353,733)
Fund Balances at Beginning of Year	9,979,188	4,220,624	349,928	463,815	2,521,692	456,308	6,415,873	6,203,172	30,610,600
<b>Fund Balances at End of Year</b>	<b>\$ 11,081,971</b>	<b>\$ 2,941,873</b>	<b>\$ 288,779</b>	<b>\$ 388,990</b>	<b>\$ 2,493,415</b>	<b>\$ 498,148</b>	<b>\$ 1,387,781</b>	<b>\$ 5,175,910</b>	<b>\$ 24,256,867</b>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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**Net Change in Fund Balances - Total Governmental Funds** \$(6,353,733)

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

Governmental funds report capital outlays and transportation as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 4,476,546

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

Property Tax	58,029	
Grants and Entitlements	213,696	
Income Tax	(103,193)	
Special Assessments	<u>(360,972)</u>	
Total		(192,440)

The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 2,518,702

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 8,424

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

Compensated Absences		<u>(244,614)</u>
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**Change in Net Assets of Governmental Activities** \$ 212,885

See accompanying notes to the basic financial statements.



**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Municipal Income Taxes	\$24,230,000	\$24,530,000	\$24,666,088	\$ 136,088
Property Taxes	558,841	558,841	524,517	(34,324)
Other Taxes	1,161,000	1,451,000	1,623,549	172,549
Intergovernmental Revenue	1,453,189	1,474,289	1,381,167	(93,122)
Charges for Services	357,600	195,700	247,536	51,836
Fines, Licenses, and Permits	1,400,900	1,388,900	1,330,773	(58,127)
Interest Income	1,200,000	1,425,000	1,501,064	76,064
Miscellaneous	<u>646,500</u>	<u>643,500</u>	<u>709,741</u>	<u>66,241</u>
<b>Total Revenues</b>	<u>31,008,030</u>	<u>31,667,230</u>	<u>31,984,435</u>	<u>317,205</u>
<b><u>Expenditures</u></b>				
Current:				
Security of Persons and Property	9,259,000	8,934,000	8,345,679	588,321
Public Health Services	330,600	347,200	296,319	50,881
Leisure Time Activities	513,900	489,900	388,693	101,207
Community Environment	1,491,400	1,590,900	1,358,764	232,136
Public Works	2,956,000	2,511,000	2,507,436	3,564
General Government	8,475,000	7,724,500	6,596,734	1,127,766
Capital Outlay	<u>506,000</u>	<u>656,700</u>	<u>648,056</u>	<u>8,644</u>
<b>Total Expenditures</b>	<u>23,531,900</u>	<u>22,254,200</u>	<u>20,141,681</u>	<u>2,112,519</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,476,130</u>	<u>9,413,030</u>	<u>11,842,754</u>	<u>2,429,724</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Sale of Fixed Assets	20,000	32,000	30,850	(1,150)
Transfers In	0	30,956	30,955	(1)
Transfers Out	<u>(8,620,000)</u>	<u>(10,595,000)</u>	<u>(10,595,000)</u>	<u>0</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(8,600,000)</u>	<u>(10,532,044)</u>	<u>(10,533,195)</u>	<u>(1,151)</u>
Net Change in Fund Balance	(1,123,870)	(1,119,014)	1,309,559	2,428,573
Fund Balance at Beginning of Year	<u>6,779,727</u>	<u>6,779,727</u>	<u>6,779,727</u>	<u>0</u>
<b>Fund Balance at End of Year</b>	<u>\$ 5,655,857</u>	<u>\$ 5,660,713</u>	<u>\$ 8,089,286</u>	<u>\$ 2,428,573</u>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**STREET CONSTRUCTION, MAINTENANCE, AND REPAIR FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Municipal Income Taxes	\$ 2,800,000	\$ 2,800,000	\$ 2,850,672	\$ 50,672
Intergovernmental Revenue	1,530,000	1,530,000	1,720,430	190,430
Charges for Services	10,000	10,000	30,642	20,642
Interest Income	0	100,000	93,165	(6,835)
Miscellaneous	0	22,800	22,772	(28)
<b>Total Revenues</b>	<u>4,340,000</u>	<u>4,462,800</u>	<u>4,717,681</u>	<u>254,881</u>
<b><u>Expenditures</u></b>				
Current:				
Transportation	8,029,000	7,934,700	7,395,709	538,991
Capital Outlay	1,300,000	2,392,600	2,375,175	17,425
<b>Total Expenditures</b>	<u>9,329,000</u>	<u>10,327,300</u>	<u>9,770,884</u>	<u>556,416</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,989,000)</u>	<u>(5,864,500)</u>	<u>(5,053,203)</u>	<u>811,297</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In	<u>3,000,000</u>	<u>3,800,000</u>	<u>3,800,000</u>	<u>0</u>
<b>Total Other Financing Sources (Uses)</b>	<u>3,000,000</u>	<u>3,800,000</u>	<u>3,800,000</u>	<u>0</u>
Net Change in Fund Balance	(1,989,000)	(2,064,500)	(1,253,203)	811,297
Fund Balance at Beginning of Year	<u>3,020,513</u>	<u>3,020,513</u>	<u>3,020,513</u>	<u>0</u>
<b>Fund Balance at End of Year</b>	<u>\$ 1,031,513</u>	<u>\$ 956,013</u>	<u>\$ 1,767,310</u>	<u>\$ 811,297</u>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**FIRE LEVY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Property Taxes	\$ 3,607,522	\$ 3,607,522	\$ 3,236,395	\$ (371,127)
Intergovernmental Revenue	400,316	400,316	314,068	(86,248)
Charges for Services	600	600	987	387
Fines, Licenses, and Permits	1,500	1,500	1,680	180
Miscellaneous	<u>0</u>	<u>32,500</u>	<u>32,519</u>	<u>19</u>
<b>Total Revenues</b>	<u>4,009,938</u>	<u>4,042,438</u>	<u>3,585,649</u>	<u>(456,789)</u>
<b><u>Expenditures</u></b>				
Current:				
Security of Persons and Property	6,398,200	6,394,900	6,105,563	289,337
Capital Outlay	<u>30,000</u>	<u>33,300</u>	<u>25,506</u>	<u>7,794</u>
<b>Total Expenditures</b>	<u>6,428,200</u>	<u>6,428,200</u>	<u>6,131,069</u>	<u>297,131</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,418,262)</u>	<u>(2,385,762)</u>	<u>(2,545,420)</u>	<u>(159,658)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>0</u>
<b>Total Other Financing Sources (Uses)</b>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>0</u>
Net Change in Fund Balance	81,738	114,238	(45,420)	(159,658)
Fund Balance at Beginning of Year	<u>489,239</u>	<u>489,239</u>	<u>489,239</u>	<u>0</u>
<b>Fund Balance at End of Year</b>	<u>\$ 570,977</u>	<u>\$ 603,477</u>	<u>\$ 443,819</u>	<u>\$ (159,658)</u>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**MULTI-PURPOSE COMPLEX FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Intergovernmental Revenue	\$ 27,000	\$ 77,452	\$ 76,239	\$ (1,213)
Charges for Services	3,369,000	3,399,000	2,886,419	(512,581)
Miscellaneous	0	14,500	14,487	(13)
<b>Total Revenues</b>	<u>3,396,000</u>	<u>3,490,952</u>	<u>2,977,145</u>	<u>(513,807)</u>
<b><u>Expenditures</u></b>				
Current:				
Leisure Time Activities	4,718,300	5,107,110	4,698,331	408,779
Capital Outlay	0	119,942	118,639	1,303
<b>Total Expenditures</b>	<u>4,718,300</u>	<u>5,227,052</u>	<u>4,816,970</u>	<u>410,082</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,322,300)</u>	<u>(1,736,100)</u>	<u>(1,839,825)</u>	<u>(103,725)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In	<u>1,300,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>0</u>
<b>Total Other Financing Sources (Uses)</b>	<u>1,300,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>0</u>
Net Change in Fund Balance	(22,300)	(36,100)	(139,825)	(103,725)
Fund Balance at Beginning of Year	<u>636,446</u>	<u>636,446</u>	<u>636,446</u>	<u>0</u>
<b>Fund Balance at End of Year</b>	<u>\$ 614,146</u>	<u>\$ 600,346</u>	<u>\$ 496,621</u>	<u>\$ (103,725)</u>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2007**

	Business-Type Activities Sanitary Sewer Fund
<b><u>ASSETS</u></b>	
<b><u>Current Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$ 4,095,333
Accounts Receivable	1,756,752
Inventory	<u>335</u>
<b>Total Current Assets</b>	<b><u>5,852,420</u></b>
<b><u>Noncurrent Assets</u></b>	
Land and Construction in Progress	1,795,138
Depreciable Capital Assets, Net	<u>53,390,494</u>
<b>Total Noncurrent Assets</b>	<b><u>55,185,632</u></b>
<b>TOTAL ASSETS</b>	<b><u>61,038,052</u></b>
<b><u>LIABILITIES</u></b>	
<b><u>Current Liabilities</u></b>	
Accounts Payable	26,638
Accrued Wages and Benefits	36,836
Due to Other Funds	889,579
Due to Other Governments	53,102
Compensated Absences Payable	124,859
General Obligation Bonds Payable	165,000
Ohio Water Development Authority Loans Payable	747,727
Ohio Public Works Commission Notes Payable	<u>14,173</u>
<b>Total Current Liabilities</b>	<b><u>2,057,914</u></b>
<b><u>Noncurrent Liabilities</u></b>	
Compensated Absences Payable	42,116
General Obligation Bonds Payable	1,090,000
Ohio Water Development Authority Loans Payable	3,996,756
Ohio Public Works Commission Notes Payable	<u>92,119</u>
<b>Total Noncurrent Liabilities</b>	<b><u>5,220,991</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>7,278,905</u></b>
<b><u>NET ASSETS</u></b>	
Invested in Capital Assets, Net of Related Debt	49,079,857
Unrestricted	<u>4,679,290</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 53,759,147</u></b>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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	Business-Type Activities <u>Sanitary Sewer Fund</u>
<b><u>Operating Revenues</u></b>	
Charges for Services	\$ 6,103,964
Miscellaneous	<u>9,509</u>
<b>Total Operating Revenues</b>	<u>6,113,473</u>
 <b><u>Operating Expenses</u></b>	
Materials and Supplies	89,799
Wages and Benefits	1,830,043
Utilities	1,342
Contractual Services	3,295,444
Maintenance	41,079
Depreciation	2,200,150
Other Expenses	<u>29,896</u>
<b>Total Operating Expenses</b>	<u>7,487,753</u>
Income (Loss) from Operations	<u>(1,374,280)</u>
 <b><u>Non-Operating Expenses</u></b>	
Interest and Fiscal Charges	<u>(377,977)</u>
<b>Total Non-Operating Expenses</b>	<u>(377,977)</u>
Change in Net Assets	<u>(1,752,257)</u>
 Net Assets at Beginning of Year, as Restated (Note 3)	<u>55,511,404</u>
 <b>Net Assets at End of Year</b>	<u><u>\$ 53,759,147</u></u>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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	<u>Business-Type Activities Sanitary Sewer Fund</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from Customers	\$ 7,846,571
Cash Paid to Employees	(1,789,741)
Cash Paid to Suppliers for Goods and Services	<u>(4,650,853)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>1,405,977</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Purchases of Capital Assets	(951,240)
Principal Paid on Long-Term Debt	(852,150)
Interest Paid on Long-Term Debt	(377,977)
Advances from Other Funds	<u>224,687</u>
<b>Net Cash Provided by (Used) for Capital and Related Financing Activities</b>	<u>(1,956,680)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(550,703)
Cash and Cash Equivalents, Beginning of Year	<u>4,646,036</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 4,095,333</u></u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities</u></b>	
Operating Income (Loss)	\$ (1,374,280)
Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:	
Depreciation	2,200,150
(Increase) Decrease in Assets:	
Accounts Receivable	1,733,098
Inventory	1,565
Increase (Decrease) in Liabilities:	
Accounts Payable	(106,023)
Accrued Wages and Benefits	7,227
Compensated Absences Payable	24,042
Intergovernmental Payable	<u>(1,079,802)</u>
Total Adjustments	<u>2,780,257</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u><u>\$ 1,405,977</u></u>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2007**

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	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$ 816,803
Cash in Segregated Accounts	<u>57,039</u>
<b>Total Assets</b>	<b><u>\$ 873,842</u></b>
<b><u>Liabilities</u></b>	
Deposits Held and Due to Others	<u>\$ 873,842</u>
<b>Total Liabilities</b>	<b><u>\$ 873,842</u></b>

See accompanying notes to the basic financial statements.



**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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**NOTE 1: REPORTING ENTITY**

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.

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.

The City's financial statements include all organizations, activities, and functions for which the City is financially accountable.

Also, the City is associated with Southwest General Health Center which is a jointly governed organization as described in Note 16.

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

The financial statements of the City have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

**A. Basis of Presentation**

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

A. **Basis of Presentation** (Continued)

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

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

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

B. **Fund Accounting**

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

B. **Fund Accounting** (Continued)

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

- *General Fund* - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or contract 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 charter of the City of Strongsville and/or the general laws of Ohio.
- *Street Construction, Maintenance, and Repair (SCMR) Fund* - This fund is required by the Ohio Revised Code to account for that portion of the state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.
- *Fire Levy Fund* - This fund is used to account for accumulated property taxes levied for the payment of salaries and related expenditures for the safety force.
- *Multi-Purpose Complex Fund* - This fund accounts for the revenue and expenditures of the City's recreation center that is comprised of the Recreation and Senior Services departments.
- *General Bond Retirement Fund* - The general bond retirement fund accounts for the accumulation of resources used for the payment of principal and interest and fiscal charges on general obligation debt.
- *Special Assessment Bond Retirement Fund* - This fund accounts for resources used for the retirement of debt issued to finance public improvements deemed to benefit the properties against which special assessments are levied.
- *Fire Station Capital Improvement Fund* - This fund accounts for the resources used to construct, equip, and furnish a new fire station.

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

B. **Fund Accounting** (Continued)

**Proprietary Funds** - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

*Enterprise Funds* - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City's only major enterprise fund is the Sanitary Sewer Fund which accounts for sewer construction projects and sanitary sewer services provided to the residential and commercial users in the City.

*Internal Service Funds* - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City has no internal service funds.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: *pension trust funds*, *investment trust funds*, *private-purpose trust funds*, and *agency funds*. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for money received for deposits held for contractors and developers, mayors' court and money on deposit for senior citizens travel.

C. **Measurement Focus**

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

C. **Measurement Focus** (Continued)

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

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

D. **Basis of Accounting**

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

**Revenues - Exchange and Nonexchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within 60 days of year end.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

D. **Basis of Accounting** (Continued)

**Revenues - Exchange and Nonexchange Transactions** (Continued)

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

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

**Deferred Revenue** - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

**E. Pooled Cash and Cash Equivalents**

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

During 2007, the portfolio of the City was limited to a money market mutual fund, U.S. Agency notes, and nonparticipating interest-earning investment contracts (e.g., repurchase agreements). Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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 2007 amounted to \$1,501,064, which includes \$1,075,075 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 financial statements as "cash in segregated accounts" since they are not required to be deposited into the City's treasury.

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

**F. Receivables**

Receivables at December 31, 2007, consist of taxes, amounts due from other governments, accounts (billings for user charged services), and special assessments. All are deemed collectible in full.

**G. Inventory**

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

G. **Inventory** (Continued)

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

Inventory consists of expendable supplies held for consumption.

H. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. **Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of roads, water mains, storm sewers, culverts and traffic signals. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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



**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

I. **Capital Assets** (Continued)

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Land Improvements	15-20 years	15-20 years
Buildings and Improvements	50 years	50 years
Furniture and Fixtures	7-10 years	7-10 years
Machinery and Equipment	5-20 years	5-20 years
Vehicles	3-6 years	3-6 years
Infrastructure	25-50 years	50 years

J. **Interfund Balances**

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

K. **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. 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 when 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 BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

**L. Accrued Liabilities and Long-Term Obligations**

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

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

**M. Fund Balance Reserves**

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for inventories, debt service, and prepaid items.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net assets reports \$15,960,953 of restricted net assets, none of which is restricted by enabling legislation. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

**O. Grants and Intergovernmental Revenues**

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. Federal reimbursement-type grants are recorded as intergovernmental receivables and revenues in the period when all applicable eligibility requirements have been met and the resources are available.

**P. Operating Revenues and Expenses**

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

**Q. Contributions of Capital**

Contributions of capital in business-type activity basic financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**R. Interfund Activity**

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

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2007.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

T. **Estimates**

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

U. **Budgetary Data**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the personal service and other expenditure level for all funds, except the general fund which is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2007.

***Encumbrances*** - Encumbrances outstanding at year end represent the estimated amount of expenditures that will ultimately result if unperformed contracts in process (for example, purchase orders and contracted services) are completed. Encumbrances outstanding at year end are reported as reservations of fund balances for subsequent year expenditures in the governmental funds. The City had no outstanding encumbrances at December 31, 2007.

***Lapsing of Appropriations*** - At the close of each fiscal 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 fiscal year and need not be reappropriated.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

**U. Budgetary Data** (Continued)

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

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR NET ASSETS**

**A. Change in Accounting Principle**

For fiscal year 2007, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

GASB Statement No. 45 provides guidance on all aspects of Other Postemployment Benefits (OPEB) reporting by employers. GASB Statement No. 45 will not be effective for the City until 2008 and therefore the City has not determined the impact, if any, that this statement will have on its financial statements.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the City.

**B. Restatement of Net Assets**

Net assets of governmental activities and business-type activities were adjusted in the prior year by \$5,581,974 and \$3,136,745, respectively, as a result of the City's change in policy of depreciating capital assets.

	<u>Governmental</u>	<u>Business-</u>
	<u>Activities</u>	<u>Type</u>
	<u>Activities</u>	<u>Activities</u>
Net Assets, December 31, 2006	\$163,375,322	\$ 52,374,659
Change in Capital Assets being Depreciated	<u>5,581,974</u>	<u>3,136,745</u>
<b>Net Assets, December 31, 2006, as Restated</b>	<b><u>\$168,957,296</u></b>	<b><u>\$ 55,511,404</u></b>

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

**NOTE 4: BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the major special revenue funds.

Net Changes in Fund Balance				
General and Major Special Revenue Funds				
	General	SCMR	Fire Levy	Multi-Purpose Complex
GAAP Basis	\$ 1,102,783	\$ (1,278,751)	\$ (61,149)	\$ (74,825)
Net Adjustment for Revenue Accruals	(56,325)	4,587	(125)	(152)
Net Adjustment for Expenditure Accruals	263,101	20,961	15,854	(64,848)
Budget Basis	\$ 1,309,559	\$ (1,253,203)	\$ (45,420)	\$(139,825)

**NOTE 5: DEPOSITS AND INVESTMENTS**

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

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

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

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

1. United States Treasury notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) and (2) 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
6. The State Treasury Asset Reserve of Ohio (STAROhio).

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

The City may also invest any monies not required to be used for a period of 6 months or more in the following:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within 5 years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**A. Cash on Hand**

At December 31, 2007, the City had \$3,700 in undeposited cash on hand, which is included on the balance sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents."

**B. Deposits**

At December 31, 2007, the carrying amount of the City's deposits was \$3,781,520 (including \$610,494 in certificates of deposit and \$57,039 in cash in segregated accounts of the court). Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2007, \$400,000 of the City's bank balance of \$4,050,360 was covered by Federal Depository Insurance and \$3,650,360 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.



**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

**B. Deposits** (Continued)

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks approved by the City Council. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve Bank in the name of the City.

**C. Investments**

The City has a formal investment policy. The City follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. As of December 31, 2007, the City had the following investments and maturities:

<u>Investment Type</u>	Balance at <u>Fair Value</u>	Investment Maturities (in Years)	
		<u>&lt; 1</u>	<u>1-2</u>
U.S. Agency Notes	\$ 5,123,825	\$ 5,123,825	\$ 0
Repurchase Agreement	10,811,000	10,811,000	0
Money Market Mutual Fund	4,996,855	4,996,855	0
<b>Totals</b>	<b><u>\$ 20,931,680</u></b>	<b><u>\$20,931,680</u></b>	<b><u>\$ 0</u></b>

**D. Interest Rate Risk**

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within 5 years from the date of purchase, and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

**E. Credit Risk**

The credit risk of the City's investments is shown in the table below. The City has no investment policy that would further limit its investment choices other than the limitations imposed by the Ohio Revised Code.

**F. Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**G. Concentration of Credit Risk**

The City places no limit on the amount it may invest in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2007:

<u>Investment Type</u>	<u>Balance at</u> <u>Fair Value</u>	<u>Percentage</u> <u>of Total</u>	<u>Credit</u> <u>Rating (*)</u>
U.S. Agency Notes	\$ 5,123,825	24.48%	AAA
Repurchase Agreement	10,811,000	51.65%	A-1
Money Market Mutual Fund	4,996,855	23.87%	AAAm
<b>Totals</b>	<b><u>\$20,931,680</u></b>	<b><u>100.00 %</u></b>	

\* Credit rating was obtain from Standard & Poor's for all investments.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

H. **Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments reported on the statement of net assets as of December 31, 2007.

<b><u>Cash and Investments per Footnote</u></b>	
Carrying Amount of Deposits	\$ 3,781,520
Investments	20,931,680
Cash on Hand	<u>3,700</u>
<b>Total Cash and Investments per Footnote</b>	<b><u>\$ 24,716,900</u></b>
<b><u>Cash and Investments per Statement of Net Assets</u></b>	
Governmental Activities	\$ 19,747,725
Business-Type Activities	4,095,333
Agency Funds	<u>873,842</u>
<b>Total Cash and Investments per Statement of Net Assets</b>	<b><u>\$ 24,716,900</u></b>

NOTE 6: **RECEIVABLES**

Receivables at December 31, 2007, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments, and accounts (billing for utility services). No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

A. **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 reevaluated every six years. The latest revaluation was completed in 2006. 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 tangible personal property currently is assessed by varying percentages of true value; public utility real property taxes are assessed at 35 percent of true value. 2007 public utility property taxes which became a lien at December 31, 2006, are levied after October 1, 2007,

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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NOTE 6: **RECEIVABLES** (Continued)

A. **Property Taxes** (Continued)

and are collected in 2008 with real property taxes. 2007 tangible personal property taxes are levied after October 1, 2006 on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out - the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009.

The assessed value upon which the 2007 tax receipts were based on was \$1,560,804,133. The full tax rate for all City operations applied to taxable property for the year ended December 31, 2007, was \$10.10 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.

B. **Municipal 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 75 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.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

NOTE 6: **RECEIVABLES** (Continued)

**B. Municipal Income Taxes** (Continued)

Municipal income taxes are allocated by City ordinance as follows: 16.67 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.

**C. Special Assessments**

Special assessments include annually assessed service assessments and assessments for debt obligations. Service type special assessments are levied against all property owners which benefit from the provided service while special assessments for debt obligations are levied against specific property owners who primarily benefitted from the project.

Special assessments are payable by the timetable and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

The City's service assessments include sidewalk repair, sewer maintenance, sewer rehabilitation, paving and curbing, and water main tap-ins which are billed by the County Auditor and collected by the County Treasurer. The County Auditor periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year. Since all assessment collections are remitted to the City outside of the available period, the entire amount has been deferred on the fund financial statements.

Special assessments expected to be collected amount to \$2,181,923 in the special assessment bond retirement fund. At December 31, 2007, the amount of delinquent special assessments was \$81,666.

**D. Intergovernmental Receivables**

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Government Activities:	
Local Government	\$ 592,489
Estate Tax	586,406
Homestead and Rollback	550,429
Gasoline Tax	734,270
Public Utility Reimbursement	53,391
Muni Tax HB 433	302,840
Other	163,669
Total Intergovernmental Receivables	<u>\$ 2,983,494</u>

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

**NOTE 7: INTERFUND TRANSACTIONS**

**A. Interfund Transfers**

As of December 31, 2007, interfund transfers were as follows:

	Transfer From			Total
	General Fund	Fire Station Capital Improvement Fund	Other Governmental Funds	
General Fund	\$ 0	\$ 11,431	\$ 19,524	\$ 30,955
Street Construction, Maintenance, and Repair Fund	3,800,000	0	0	3,800,000
Fire Levy Fund	2,500,000	0	0	2,500,000
Multi-Purpose Complex Fund	1,700,000	0	0	1,700,000
Police Facility Construction Fund	400,000	0	0	400,000
Nonmajor Governmental Funds	<u>2,195,000</u>	<u>0</u>	<u>0</u>	<u>2,195,000</u>
<b>Total Interfund Transfers</b>	<u>\$10,595,000</u>	<u>\$ 11,431</u>	<u>\$ 19,524</u>	<u>\$10,625,955</u>

Transfers were made to the General Fund from the Fire Station Capital Improvement Fund and Route 82 Capital Improvement Fund (i.e., Other Governmental Funds) to return a small portion of the dollars transferred to these funds from the General Fund in past years. All other transfers were made from the General Fund to provide additional resources for current operations.

**B. Interfund Balances**

At December 31, 2007, a long-term interfund receivable/payable existed between the General Bond Retirement Fund and the Sanitary Sewer Enterprise Fund in the amount of \$889,579. The nature of the loan is subsidized debt payment from the General Bond Retirement fund to the Sanitary Sewer fund.

**C. Interfund Receivables and Payables**

No interfund receivable or payable balances exist at December 31, 2007.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

**NOTE 8: CAPITAL ASSETS**

A summary of changes in capital assets during 2007 follows:

	Restated Balance <u>12/31/2006</u>	Additions	Disposals	Balance <u>12/31/2007</u>
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 5,855,912	\$ 122,000	\$ 0	\$ 5,977,912
Construction in Progress	<u>1,818,647</u>	<u>6,080,377</u>	<u>(991,481)</u>	<u>6,907,543</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>7,674,559</u>	<u>6,202,377</u>	<u>(991,481)</u>	<u>12,885,455</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	30,460,960	1,079,994	0	31,540,954
Land Improvements	1,630,076	184,996	0	1,815,072
Machinery and Equipment	2,196,475	399,997	(9,174)	2,587,298
Furniture and Fixtures	745,178	68,097	(171,950)	641,325
Vehicles	10,359,130	1,744,168	(1,061,328)	11,041,970
Infrastructure:				
Streets	150,459,553	4,368,049	0	154,827,602
Storm Sewers	74,692,008	273,550	0	74,965,558
Sidewalks	7,649,377	0	0	7,649,377
Traffic Signalization	<u>4,600,217</u>	<u>0</u>	<u>0</u>	<u>4,600,217</u>
<i>Total Capital Assets Being Depreciated</i>	<u>282,792,974</u>	<u>8,118,851</u>	<u>(1,242,452)</u>	<u>289,669,373</u>
Less Accumulated Depreciation:				
Buildings	(5,805,159)	(571,166)	0	(6,376,325)
Land Improvements	(815,185)	(62,185)	0	(877,370)
Machinery and Equipment	(1,151,677)	(231,107)	2,929	(1,379,855)
Furniture and Fixtures	(204,491)	(56,196)	16,630	(244,057)
Vehicles	(7,644,583)	(857,656)	1,025,784	(7,476,455)
Infrastructure:				
Streets	(66,675,338)	(5,043,032)	3,444	(71,714,926)
Storm Sewers	(27,910,814)	(1,421,838)	0	(29,332,652)
Sidewalks	(3,790,624)	(242,231)	681	(4,032,174)
Traffic Signalization	<u>(696,446)</u>	<u>(174,806)</u>	<u>0</u>	<u>(871,252)</u>
<i>Total Accumulated Depreciation</i>	<u>(114,694,317)</u>	<u>* (8,660,217)</u>	<u>1,049,468</u>	<u>(122,305,066)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>168,098,657</u>	<u>(541,366)</u>	<u>(192,984)</u>	<u>167,364,307</u>
<b>Total Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>\$175,773,216</u>	<u>\$ 5,661,011</u>	<u>\$ (1,184,465)</u>	<u>\$180,249,762</u>

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$ 751,864
Leisure Time Activities	591,263
Transportation	7,143,720
General Government	136,796
Community Environment	<u>36,574</u>
<b>Total Depreciation Expense</b>	<u>\$ 8,660,217</u>

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

NOTE 8: **CAPITAL ASSETS** (Continued)

A summary of changes in capital assets during 2007 follows:

	Restated Balance <u>12/31/2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2007</u>
<b>Business-Type Activities</b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 1,508,079	\$ 0	\$ 0	\$ 1,508,079
Construction in Progress	<u>0</u>	<u>623,321</u>	<u>(336,262)</u>	<u>287,059</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,508,079</u>	<u>623,321</u>	<u>(336,262)</u>	<u>1,795,138</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	9,892,551	0	0	9,892,551
Land Improvements	3,852,402	0	0	3,852,402
Machinery and Equipment	7,892,756	607,680	0	8,500,436
Furniture and Fixtures	19,748	0	0	19,748
Vehicles	1,438,911	48,642	(28,712)	1,458,841
Infrastructure:				
Sanitary Sewer	<u>95,490,276</u>	<u>0</u>	<u>0</u>	<u>95,490,276</u>
<i>Total Capital Assets Being Depreciated</i>	<u>118,586,644</u>	<u>656,322</u>	<u>(28,712)</u>	<u>119,214,254</u>
<i>Total Capital Assets at Cost</i>	<u>120,094,723</u>	<u>1,279,643</u>	<u>(364,974)</u>	<u>121,009,392</u>
Less Accumulated Depreciation:				
Buildings	(4,195,917)	(187,957)	0	(4,383,874)
Land Improvements	(3,600,797)	(2,941)	0	(3,603,738)
Machinery and Equipment	(7,423,648)	(24,244)	0	(7,447,892)
Furniture and Equipment	(18,762)	0	0	(18,762)
Vehicles	(557,054)	(170,696)	28,712	(699,038)
Infrastructure:				
Sanitary Sewer	<u>(47,856,359)</u>	<u>(1,814,312)</u>	<u>215</u>	<u>(49,670,456)</u>
<i>Total Accumulated Depreciation</i>	<u>(63,652,537)</u>	<u>(2,200,150)</u>	<u>28,927</u>	<u>(65,823,760)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>54,934,107</u>	<u>(1,543,828)</u>	<u>215</u>	<u>53,390,494</u>
<b>Total Business-Type Capital Assets, Net</b>	<u>\$ 56,442,186</u>	<u>\$ (920,507)</u>	<u>\$ (336,047)</u>	<u>\$ 55,185,632</u>

NOTE 9: **RISK MANAGEMENT**

A. **Commercial Insurance**

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 2007, the City contracted with one company for various types of insurance as follows:



**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

A. **Commercial Insurance** (Continued)

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Limits</u>	<u>Deductible</u>
HCC Insurance	Commercial and Personal Property Coverage (includes Boiler and Machinery coverage)	\$ 67,049,967	\$ 1,000
	- Ancillary Equipment	150,000	1,000
	- Earthquake Damage	5,000,000	25,000
	- Flood Damage	500,000	25,000
	- Inland Marine	5,250,217	1,000
	Crime - Theft, Disappearance, and Destruction	25,000	250
	Crime - Employee Dishonesty	50,000	250
	General Liability	1,000,000/3,000,000	0
	- Damage to Premises	50,000	0
	- Medical Expense	10,000	0
	Stop Gap	1,000,000/1,000,000	0
	Employee Benefits Liability	1,000,000/3,000,000	1,000
	Cemetery Professional Liability	Included	Included
	Government Medical Liability	Included	Included
	Law Enforcement Liability	1,000,000/1,000,000	5,000
	Public Officials Liability	1,000,000/1,000,000	10,000
	Max Sewer Liability Limit (per claimant)	2,500	0
	Electronic Data Processing Systems	621,132	1,000
	Business Auto Coverage		
	- Auto Liability	1,000,000	250/1,000
	- Medical Payments (specified vehicles)	5,000	0
	- Comprehensive		
	(ACV or Cost of Repair)	Lesser of ACV/Repair or 35,000	250
	- Collision Damage		
	(ACV or Cost of Repair)	Lesser of ACV/Repair or 35,000	1,000
	Commercial Umbrella	10,000,000	10,000

In addition to the above coverage, the City has contracted with HCC Holdings, Inc. Insurance Group to carry blanket catastrophic excess liability insurance. The umbrella policy was acquired to cover losses which exceed the primary coverage limits.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

A. **Commercial Insurance** (Continued)

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 coverage limits in any of the past four fiscal years.

B. **Workers' Compensation Retrospective Rating Plan**

As of December 31, 2007, the City completed its second consecutive year of participating with the Ohio Bureau of Workers' Compensation (Bureau) Retrospective Rating Plan. The self insurance program requires the City to pay only administrative and minimum premium charges to the Bureau and, in turn, the City reimburses the Bureau for all claim costs incurred during the policy period for up to ten years. At the tenth year, the Bureau actuarially determines the expected future cost of any ten-year-old claim that is still active, and bills the City. The Bureau then assumes all future liability for the claim. Active management of each claim, from inception, offers the City the opportunity to reduce the cost of each claim. For 2007 and 2006, the maximum individual claim cost was \$300,000 and \$250,000, respectively, and the maximum aggregate claim cost was \$1,089,360 and \$836,824, respectively. The retrospective rating minimum premium due from the City in 2007 and 2006 was \$244,621 and \$185,480, respectively. This resulted in considerable savings from the experience rated premium of \$544,680 and \$418,412 for 2007 and 2006, respectively.

NOTE 10: **PENSION PLAN**

A. **Ohio Public Employees Retirement System**

All City full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost sharing multiple-employer defined benefit pension plan;

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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NOTE 10: **PENSION PLAN** (Continued)

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

- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the Member Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at [www.opers.org](http://www.opers.org). For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the Traditional Plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the Traditional Plan who were in law enforcement contributed 9.75 percent of their annual covered salary.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 9.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the City was 8.85 percent of covered payroll from January 1 to June 30, 2007, and 7.85 from July 1 to December 31, 2007. The City's required contributions to OPERS for the years ended December 31, 2007, 2006, and 2005, were \$851,978, \$868,008, and \$862,026, respectively. The full amount has been contributed for 2006 and 2005. 92.06 percent has been contributed for 2007.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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NOTE 10: **PENSION PLAN** (Continued)

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

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police officers and 24.00 percent for firefighters. The City's contributions to the OP&F for police and firefighters were \$676,100 and \$796,452 for the year ended December 31, 2007, \$514,404 and \$678,628 for the year ended December 31, 2006, and \$531,913 and \$672,578 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 92.53 percent and 70.41 percent, respectively, have been contributed for 2007.

NOTE 11: **POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 employer rate was 13.85 percent of covered payroll and 17.17 percent for public safety and law enforcement.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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NOTE 11: **POST-EMPLOYMENT BENEFITS** (Continued)

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

OPERS Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 5.00 percent from January 1 through June 30, 2007, and 6.00 percent from July 1 through December 31, 2007. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent annually for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

As of December 31, 2007, the number of active contributing participants in the Traditional Pension and Combined plans totaled 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual City contributions for 2007 which were used to fund post-employment benefits were \$561,183. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2006 (the latest information available) was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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NOTE 11: **POST-EMPLOYMENT BENEFITS** (Continued)

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

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow the benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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

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

OP&F provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check, or is a spouse or eligible dependent child of such person. 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 full-time or on a two-thirds basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. Health care funding and accounting is on a pay-as-you-go basis.

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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NOTE 11: **POST-EMPLOYMENT BENEFITS** (Continued)

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

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

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

OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2007, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequate funded and also is limited by the provisions of Section 401(h).

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. Beginning in 2001, all retirees and survivors have monthly health care contributions. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, the date of the last actuarial valuation was 14,120 for police and 10,563 for firefighters.

The City's actual contributions for 2007 that were used to fund post-employment health care benefits were \$357,936 for police and \$311,655 for firefighters. The OP&F's total health care expenses for the year ended December 31, 2006 (the latest information available) was \$120,373,722, which was net of member contributions of \$58,532,848.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

**NOTE 12: LONG-TERM OBLIGATIONS**

Changes in the long-term obligations of the City during 2007 were as follows:

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Amounts Due in One Year
<b>Governmental Activities:</b>					
<i>General Obligation Bonds</i>					
Variable Rate (4.0% in 1994 to 6.0% in 2014), \$1,395,000 1994 Various Purpose Improvement Bonds due through 2014	\$ 210,000	\$ 0	\$ (40,000)	\$ 170,000	\$ 45,000
Variable Rate (4.05% in 2000 to 5.05% in 2014), \$5,955,000 1997 Street Improvement Bonds due through 2009	1,305,000	0	(425,000)	880,000	435,000
Variable Rate (3% in 2002 to 3.5% in 2006), \$7,190,000 Library Improvement Bonds due through 2020	5,615,000	0	(300,000)	5,315,000	310,000
Variable Rate (3% in 2002 to 4% in 2007), 2002 \$1,775,000 Fire Station Bonds due through 2021	1,710,000	0	(15,000)	1,695,000	15,000
Variable Rate (3% in 2002 to 5% in 2021), \$13,910,000 refunded 1992 and 1996 Various Purpose Improvement Bonds due through 2021	12,225,000	0	(925,000)	11,300,000	730,000
Variable Rate (3% in 2002 to 4% in 2007), \$870,000 Fire Truck Acquisition Bonds due through 2011	575,000	0	(80,000)	495,000	115,000
Variable Rate (3% in 2002 to 4% in 2007), \$650,000 Communications Equipment Acquisition Bonds due through 2016	580,000	0	(20,000)	560,000	20,000
Variable Rate (3% in 2002 to 4% in 2007), \$455,000 Service Center Expansion Bond due through 2021	420,000	0	(10,000)	410,000	10,000
Variable Rate (3% in 2005 to 5% in 2015), \$6,685,000 2005 Various Purpose Improvement Bond, due through 2025	6,430,000	0	(265,000)	6,165,000	275,000
Variable Rate (3.75% in 2006 to 4% in 2015), \$11,740,000 2006 Various Purpose Improvement Bonds, due through 2026	<u>11,740,000</u>	<u>0</u>	<u>(290,000)</u>	<u>11,450,000</u>	<u>375,000</u>
<i>Total General Obligation Bonds</i>	<u>40,810,000</u>	<u>0</u>	<u>(2,370,000)</u>	<u>38,440,000</u>	<u>2,330,000</u>



**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Amounts Due in One Year
<b>Governmental Activities: (Continued)</b>					
<i>OPWC Loan</i>					
Ohio Public Works Commission - 0% 1995, \$218,938 Note due through 2015	93,049	0	(10,947)	82,102	10,947
Ohio Public Works Commission - 0% 1996, \$90,900 Note due through 2016	40,904	0	(4,545)	36,359	4,545
Ohio Public Works Commission- 0% 1998, \$67,476 Note due through 2017	35,425	0	(3,374)	32,051	3,374
Ohio Public Works Commission 0% 1999, \$11,817 Note due through 2020	7,681	0	(591)	7,090	591
<i>Total OPWC Loan</i>	<u>177,059</u>	<u>0</u>	<u>(19,457)</u>	<u>157,602</u>	<u>19,457</u>
<i>Special Assessment Bonds</i>					
Various Purpose Improvement Bonds - 1994, \$1,170,000 (4.0% in 1994 to 6.0% in 2014) due through 2014	615,000	0	(65,000)	550,000	65,000
Various Purpose Improvement Bonds - 1996, \$1,255,000, 5.7% due through 2016	785,000	0	(60,000)	725,000	65,000
Various Purpose Improvement Bonds - 1998, \$305,000, (4.55% in 1998 to 5.50% in 2018) due through 2018	225,000	0	(15,000)	210,000	15,000
<i>Total Special Assessment Bonds</i>	<u>1,625,000</u>	<u>0</u>	<u>(140,000)</u>	<u>1,485,000</u>	<u>145,000</u>
<i>Other Liabilities</i>					
Compensated Absences	2,518,952	1,455,606	(1,210,992)	2,763,566	1,253,377
<i>Total Other Liabilities</i>	<u>2,518,952</u>	<u>1,455,606</u>	<u>(1,210,992)</u>	<u>2,763,566</u>	<u>1,253,377</u>
<b>Total Governmental Activities</b>	<u>\$45,131,011</u>	<u>\$ 1,455,606</u>	<u>\$ (3,740,449)</u>	<u>\$42,846,168</u>	<u>\$ 3,747,834</u>

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Amounts Due in One Year
<b>Business-Type Activities:</b>					
<i>Enterprise Fund Debt - Sewer</i>					
Ohio Water Development Authority, 10.54% \$7,315,971 1984 Loan due through 2011	\$ 2,631,041	\$ 0	\$ (562,360)	\$ 2,068,681	\$ 621,633
Ohio Water Development Authority, 4.77% \$948,523 2002 Loan due through 2022	804,594	0	(36,280)	768,314	38,005
Ohio Water Development Authority, 4.4% 2003 Loan due through 2023	1,991,825	0	(84,337)	1,907,488	88,089
Ohio Public Works Commission, 0% \$283,455 1995 Note due through 2015	120,465	0	(14,173)	106,292	14,173
General Obligation Debt, (4.05% in 2000 to 5.05% in 2014), 1997 \$2,130,000 Sanitary Sewer Various Purpose Improvement due through 2014	1,410,000	0	(155,000)	1,255,000	165,000
<i>Total Enterprise Fund Debt - Sewer</i>	<u>6,957,925</u>	<u>0</u>	<u>(852,150)</u>	<u>6,105,775</u>	<u>926,900</u>
<i>Other Liabilities:</i>					
Compensated Absences	142,933	141,523	(117,481)	166,975	124,859
<b>Total Business-Type Activities</b>	<u>7,100,858</u>	<u>141,523</u>	<u>(969,631)</u>	<u>6,272,750</u>	<u>1,051,759</u>
<b>Total Long-Term Liabilities</b>	<u>\$52,231,869</u>	<u>\$ 1,597,129</u>	<u>\$(4,710,080)</u>	<u>\$49,118,918</u>	<u>\$ 4,799,593</u>

OWDA loans will be paid from sewer user charges and OPWC loans will be paid with property taxes and other governmental revenues. General obligation bonds will be paid from the general bond retirement fund. Special assessment bonds will be paid from the proceeds of special assessments levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Compensated absences will be paid from the fund from which the employees' salaries are paid.

**Prior Years' Defeasance Debt**

In prior years, the City has defeased general obligation bonds of \$13,910,000 by creating an irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of December 31, 2007, the amount of defeased debt outstanding but removed from governmental activities amounted to \$10,955,000.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

**Principal and Interest Requirements**

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2007 are as follows:

<u>Due In</u>	<u>Governmental Activities</u>					
	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>OPWC</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,330,000	\$ 1,764,086	\$ 145,000	\$ 90,423	\$ 19,457	\$ 0
2009	2,435,000	1,671,994	150,000	81,485	19,457	0
2010	2,055,000	1,574,021	155,000	72,105	19,457	0
2011	2,070,000	1,496,760	170,000	62,390	19,457	0
2012	2,050,000	1,417,430	185,000	51,740	19,457	0
2013-2017	11,100,000	5,583,527	655,000	98,010	59,136	0
2018-2022	11,025,000	2,715,370	25,000	1,375	1,181	0
2023-2026	5,375,000	659,826	0	0	0	0
	<u>\$38,440,000</u>	<u>\$ 16,883,014</u>	<u>\$ 1,485,000</u>	<u>\$ 457,528</u>	<u>\$ 157,602</u>	<u>\$ 0</u>

<u>Due In</u>	<u>Governmental Activities</u>	
	<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,494,457	\$ 1,854,509
2009	2,604,457	1,753,479
2010	2,229,457	1,646,126
2011	2,259,457	1,559,150
2012	2,254,457	1,469,170
2013-2017	11,814,136	5,681,537
2018-2022	11,051,181	2,716,745
2023-2026	5,375,000	659,826
	<u>\$ 40,082,602</u>	<u>\$ 17,340,542</u>

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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

**Principal and Interest Requirements** (Continued)

<u>Due To</u>	Business-Type					
	General Obligation Bonds		OWDA		OPWC	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 165,000	\$ 62,635	\$ 747,727	\$ 336,680	\$ 14,173	\$ 0
2009	170,000	55,045	818,974	265,432	14,173	0
2010	165,000	46,460	897,701	186,708	14,173	0
2011	170,000	38,128	144,065	100,670	14,173	0
2012	185,000	29,542	150,607	94,128	14,173	0
2013-2017	400,000	30,553	862,069	361,606	35,427	0
2018-2022	0	0	1,039,651	147,186	0	0
2023	0	0	83,689	1,841	0	0
	<u>\$ 1,255,000</u>	<u>\$ 262,363</u>	<u>\$ 4,744,483</u>	<u>\$1,494,251</u>	<u>\$106,292</u>	<u>\$ 0</u>

<u>Due In</u>	Business-Type	
	Total	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 926,900	\$ 399,315
2009	1,003,147	320,477
2010	1,076,874	233,168
2011	328,238	138,798
2012	349,780	123,670
2013-2017	1,297,496	392,159
2018-2022	1,039,651	147,186
2023	83,689	1,841
	<u>\$ 6,105,775</u>	<u>\$ 1,756,614</u>

NOTE 13: **CONDUIT DEBT**

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

<u>Type</u>	<u>On Behalf of</u>	<u>Original Issuance</u>	<u>Year Issued</u>	<u>Balance at 12/31/2007</u>
Industrial Revenue Bonds	Nutro Corporation	\$ 1,350,000	1994	\$ 260,000
Industrial Revenue Bonds	Nutro Corporation	<u>1,750,000</u>	2000	<u>1,145,000</u>
Total		<u>\$ 3,100,000</u>		<u>\$ 1,405,000</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.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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**NOTE 14: CONSTRUCTION COMMITMENTS**

As of December 31, 2007, the City had the following significant commitments with respect to capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>
Pearl Road	\$ 863,102
Police Facility	172,248
Fire Station #5	1,442,373
Service Center Generator	309,490
Drake and Howe Intersection	1,737,484
Covered Bridge	264,382
Other	<u>182,016</u>
Total	<u>\$ 4,971,095</u>

**NOTE 15: 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 16: JOINTLY GOVERNED ORGANIZATIONS**

**Southwest General Health Center**

The Southwest General Health Center is an Ohio nonprofit corporation providing health services. The Health Center is a jointly governed organization among the communities of Berea, Brook Park, Columbia Township, Middleburg Heights, Olmsted Falls and Strongsville.

The Health Center is governed by a Board of Trustees consisting of the following: one member of the legislative body from each of the political subdivisions, one resident from each of the political subdivisions who is not a member of the legislative body, three persons who are residents of any of the participating political subdivisions, and the president and the vice president of the medical staff. The legislative body of each political subdivision elect their own member to serve on the Board of Trustees of the Health Center.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

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NOTE 16: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

**Southwest General Health Center** (Continued)

The Board exercises total control over the operation of the Health Center including budgeting, appropriating, contracting and designating management. Each City's control is limited to its representation on the Board. In 2007, the City of Strongsville contributed \$373,138 to the Health Center.

NOTE 17: **SUBSEQUENT EVENT**

The City issued General Obligation Bond Anticipation Notes in the amount of \$1,455,000 dated March 3, 2008 for the purpose of improving the City's recreation system by acquiring real estate. The city also issued General Obligation Bond Anticipation Notes consisting of \$1,550,000 and \$445,000 dated March 3, 2008 for the purpose of improving, in cooperation with Cuyahoga County, the City intersections and approaches to those intersections at Drake Road and Howe Road and Royalton Road and West 130<sup>th</sup> Street, respectively.



# Mary Taylor, CPA

Auditor of State

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

City of Strongsville  
Cuyahoga County  
16099 Foltz Parkway  
Strongsville, Ohio 44149

To the Members of City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Strongsville, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 31, 2008, wherein we noted the City restated the January 1, 2007 net assets of the Governmental and Business-Type Activities due to a change in policy for depreciating capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

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

**Internal Control Over Financial Reporting  
(Continued)**

We noted certain matters that we reported to the City's management in a separate letter dated July 31, 2008.

**Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated July 31, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

July 31, 2008





**Mary Taylor, CPA**  
Auditor of State

**CITY OF STRONGSVILLE**

**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  
OCTOBER 9, 2008**