



Mary Taylor, CPA
Auditor of State

**CITY OF STRONGSVILLE
CUYAHOGA COUNTY**

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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 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, 2009, 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, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Street Construction, Maintenance and Repair, and Fire Levy funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2010, 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.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 4, 2010

**CITY OF STRONGSVILLE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)**

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, 2009. 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 2009 by \$216,578,323. Of this amount, \$17,144,495 is considered unrestricted. The unrestricted net assets of the City's governmental activities was \$13,247,353 and may be used to meet the government's on-going obligations. The unrestricted net assets of the City's business-type activities was \$3,897,142, with Invested in Capital Assets, Net of Related Debt accounting for \$49,376,535 or 92.7 percent of the total business-type activities' net assets.
- The City's total net assets decreased \$4,063,711 or 1.8 percent in 2009. Net assets of the governmental activities decreased \$2,603,141, which represents a 1.6 percent decrease from 2008. Net assets of the business-type activities decreased \$1,460,570 or 2.7 percent from 2008.
- The General Fund reported a fund balance of \$11,504,354 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$11,161,498 or 36.9 percent of the total General Fund expenditures (including transfers out). There was a \$332,363 decrease in the total General Fund balance for the year ended December 31, 2009.
- On a cash basis, the City's income tax collections decreased by \$1,222,998 or 4.9 percent during 2009.

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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For the Year Ended December 31, 2009
(Unaudited)

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*.

CITY OF STRONGSVILLE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009
(Unaudited)

The City maintains 27 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, Street Construction, Maintenance, and Repair Fund, Fire Levy Fund, General Bond Retirement Fund, and the Police Facility Construction Fund, all of which are considered to be major funds. Data from the other 22 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 two different types of proprietary funds. *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. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally to the City's various functions. The City has one Internal Service Fund to account for workers' compensation coverage.

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 and the Internal Service Fund.

The basic proprietary fund financial statements can be found on pages 24-26 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 27 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 28-63.

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 2009?" 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009
(Unaudited)

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 2009 compared to 2008.

Table 1 - Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and Other Assets	\$ 54,022,735	\$ 55,651,829	\$ 4,280,104	\$ 5,818,275	\$ 58,302,839	\$ 61,470,104
Capital Assets	185,919,480	181,988,055	52,632,263	53,337,180	238,551,743	235,325,235
Total Assets	<u>239,942,215</u>	<u>237,639,884</u>	<u>56,912,367</u>	<u>59,155,455</u>	<u>296,854,582</u>	<u>296,795,339</u>
Liabilities						
Long-Term Liabilities	63,790,635	58,200,682	3,408,653	4,289,156	67,199,288	62,489,838
Other Liabilities	12,846,934	13,531,415	230,037	132,052	13,076,971	13,663,467
Total Liabilities	<u>76,637,569</u>	<u>71,732,097</u>	<u>3,638,690</u>	<u>4,421,208</u>	<u>80,276,259</u>	<u>76,153,305</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	125,782,137	143,431,182	49,376,535	49,248,305	175,158,672	192,679,487
Restricted	24,275,156	11,326,386	0	0	24,275,156	11,326,386
Unrestricted	13,247,353	11,150,219	3,897,142	5,485,942	17,144,495	16,636,161
Total Net Assets	<u>\$163,304,646</u>	<u>\$165,907,787</u>	<u>\$53,273,677</u>	<u>\$54,734,247</u>	<u>\$216,578,323</u>	<u>\$220,642,034</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 \$216,578,323 at the close of the most recent fiscal year.

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

The largest portion of the City's total net assets (80.9 percent) reflects its investments in capital assets (e.g., land, construction in progress, buildings, land improvements, machinery and equipment, furniture and fixtures, vehicles, 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 \$17,144,495, the unrestricted net assets of the City's business-type activities, \$3,897,142, 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 slightly increased by \$59,243 from 2008 to 2009, while the City's total liabilities increased by \$4,122,954. The increase in liabilities is primarily due to the liabilities created by the City's issuances of bonds during the year.

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
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009
(Unaudited)

Table 2 - Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues:						
Charges for Services	\$ 6,493,958	\$ 6,940,715	\$ 5,104,311	\$ 6,027,451	\$11,598,269	\$12,968,166
Operating Grants and Contributions	2,319,608	2,250,629	0	0	2,319,608	2,250,629
Capital Grants and Contributions	921,391	1,676,518	206,265	0	1,127,656	1,676,518
General Revenues:						
Property Taxes	10,115,539	8,710,401	0	0	10,115,539	8,710,401
Income Taxes	25,931,162	27,617,874	0	0	25,931,162	27,617,874
Other Taxes	1,551,099	1,395,117	0	0	1,551,099	1,395,117
Payments in Lieu of Taxes	349,651	0	0	0	349,651	0
Grants and Entitlements	3,351,151	3,588,997	0	0	3,351,151	3,588,997
Investment Earnings	565,760	740,975	0	0	565,760	740,975
Other	0	134,124	0	0	0	134,124
Total Revenues	<u>51,599,319</u>	<u>53,055,350</u>	<u>5,310,576</u>	<u>6,027,451</u>	<u>56,909,895</u>	<u>59,082,801</u>
Program Expenses						
General Government	6,508,706	7,098,680	0	0	6,508,706	7,098,680
Security of Persons and Property	19,224,379	19,002,791	0	0	19,224,379	19,002,791
Public Health Services	664,106	673,737	0	0	664,106	673,737
Transportation	15,647,804	15,736,157	0	0	15,647,804	15,736,157
Community Environment	1,342,951	1,315,155	0	0	1,342,951	1,315,155
Public Works	2,527,962	2,535,449	0	0	2,527,962	2,535,449
Leisure Time Activities	5,699,830	5,683,148	0	0	5,699,830	5,683,148
Interest and Fiscal Charges	2,586,722	2,128,048	214,207	263,448	2,800,929	2,391,496
Sewer	0	0	6,556,939	6,933,482	6,556,939	6,933,482
Total Program Expenses	<u>54,202,460</u>	<u>54,173,165</u>	<u>6,771,146</u>	<u>7,196,930</u>	<u>60,973,606</u>	<u>61,370,095</u>
<i>Increase (Decrease) in Net Assets</i>	<u>\$(2,603,141)</u>	<u>\$(1,117,815)</u>	<u>\$(1,460,570)</u>	<u>\$(1,169,479)</u>	<u>\$(4,063,711)</u>	<u>\$(2,287,294)</u>

Governmental Activities

Governmental activities decreased the City's net assets by \$2,603,141 due to total program expenses of \$54,202,460 exceeding total revenues of \$51,599,319. 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 2009, 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 2009 was \$25,931,162. Of the \$51,599,319 in total revenues, income tax accounts for 50.2 percent of that total. Property taxes of \$10,115,539 account for 19.6 percent of total revenues; operating grants, capital grants and contributions, and general revenues from grants and entitlements account for 12.8 percent of total governmental revenues; and charges for services, investment earnings, other taxes, and payments in lieu of taxes make up the remaining 17.4 percent.

CITY OF STRONGSVILLE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009
(Unaudited)

General revenues from grants and entitlements, such as local government funds, are also revenue generators. The combination of property tax, income tax, and intergovernmental funding, is not sufficient to cover all expenses in the governmental activities. 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 2009, 35.5 percent of program expenses relate to Security of Persons and Property, which includes Police and Fire protection. The expenditures of this program increased from 2008 to 2009 by \$221,588, which is the direct result of staffing levels reaching recommended City levels, union negotiated cost of living increases, and increased health care costs.

The second largest program function of the City is transportation. During 2009, 28.9 percent of program expenditures relate to transportation, which includes road repairs and snow removal. The expenditures of this program decreased by \$88,353 from 2008 to 2009, which is the direct result of the City's efforts to control costs.

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 \$1,460,570. This is due to a significant 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, 2009, the City's governmental funds reported ending fund balances of \$33,031,982, a decrease of \$1,947,232 in comparison with the prior year. \$30,043,659 of the ending fund balance for 2009 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 pay debt service and for a variety of other restricted purposes.

CITY OF STRONGSVILLE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009
(Unaudited)

At December 31, 2009, the unreserved fund balance of the General Fund was \$11,161,498, while the total fund balance was \$11,504,354. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to total fund expenditures (including transfers out).

The fund balance of the City's General Fund when compared to 2008 decreased by \$332,363 during 2009. Key factors in this decrease are as follows:

- On a cash basis, the City's income tax collections decreased by \$1,222,998
- The elimination of 18 full-time positions throughout the City of Strongsville
- A proactive budgeting strategy and prudent financial management

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 \$11,836,717. General Fund expenditures (including transfers out) for the current year were \$30,252,920, with revenues and other financing sources of \$29,920,557, leaving a fund balance of \$11,504,354, and an unreserved balance of \$11,161,498 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 2009, 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 the Fire Department, the Service Department, and the 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 \$30,420,374. The final budgeted revenue amount (including other financing sources) was \$31,968,421. This increase was primarily due to an increase in advances in from another governmental fund. Original General Fund budgeted expenditures (including other financing uses) were \$31,255,000 and the final amended budgeted expenditures (including other financing uses) were \$33,028,500. Actual General Fund expenditures were \$32,954,378 or \$74,122 less than was budgeted due to prudent fiscal management and a proactive budgeting strategy.

CITY OF STRONGSVILLE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009
(Unaudited)

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2009, amounts to \$238,551,743 (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, 2009, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 7,393,905	\$ 7,393,905	\$ 1,508,079	\$ 1,508,079	\$ 8,901,984	\$ 8,901,984
Construction in Progress	14,273,348	2,139,248	1,528,708	11,250	15,802,056	2,150,498
Total Non-Depreciable	<u>21,667,253</u>	<u>9,533,153</u>	<u>3,036,787</u>	<u>1,519,329</u>	<u>24,704,040</u>	<u>11,052,482</u>
Buildings	32,237,117	32,975,406	5,132,248	5,320,204	37,369,365	38,295,610
Improvements	1,100,768	1,174,107	242,758	245,707	1,343,526	1,419,814
Machinery and Equipment	1,017,771	1,211,063	1,099,388	1,192,684	2,117,159	2,403,747
Furniture and Fixtures	394,744	453,653	986	986	395,730	454,639
Vehicles	3,413,369	3,927,279	657,820	776,296	4,071,189	4,703,575
Infrastructure:						
Streets	75,694,862	80,478,218	0	0	75,694,862	80,478,218
Storm Sewers	43,580,285	44,992,834	0	0	43,580,285	44,992,834
Sidewalks	3,132,078	3,374,307	0	0	3,132,078	3,374,307
Traffic Signals	3,681,233	3,868,035	0	0	3,681,233	3,868,035
Sanitary Sewer	0	0	42,462,276	44,281,974	42,462,276	44,281,974
Total Depreciable,						
Net of Depreciation	<u>164,252,227</u>	<u>172,454,902</u>	<u>49,595,476</u>	<u>51,817,851</u>	<u>213,847,703</u>	<u>224,272,753</u>
Total Capital Assets,						
Net of Depreciation	<u>\$185,919,480</u>	<u>\$181,988,055</u>	<u>\$52,632,263</u>	<u>\$53,337,180</u>	<u>\$238,551,743</u>	<u>\$235,325,235</u>

Major capital asset events during 2009 included the following:

- Total capital assets, net of accumulated depreciation, increased by \$3,226,508.
- Business-type activity capital assets decreased by \$704,917 (net of accumulated depreciation). The decrease was due to the aging of infrastructure.
- Governmental activity capital assets increased by \$3,931,425 (net of accumulated depreciation). This increase was primarily due to significant additions to Construction in Progress exceeding current year's depreciation expenses.

Debt

The General Bond Retirement Debt Service Fund has a total fund balance of \$1,265,353. 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, 2009, the City had \$62,599,416 of bonds and loans outstanding, with \$59,343,688 in governmental activities and \$3,255,728 in business-type activities and are included herein.

CITY OF STRONGSVILLE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009
(Unaudited)

Table 4 - Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Long Term Debt						
General Obligation Bonds	\$58,035,000	\$ 37,200,000	\$ 0	\$ 0	\$ 58,035,000	\$ 37,200,000
OPWC Loan	118,688	138,145	77,946	92,119	196,634	230,264
OWDA Loan	0	0	3,177,782	3,996,756	3,177,782	3,996,756
Special Assessment Bonds	1,190,000	1,340,000	0	0	1,190,000	1,340,000
Long-Term Notes	0	16,450,000	0	0	0	16,450,000
Total Outstanding Debt	<u>\$59,343,688</u>	<u>\$55,128,145</u>	<u>\$ 3,255,728</u>	<u>\$ 4,088,875</u>	<u>\$62,599,416</u>	<u>\$59,217,020</u>

In a continuing effort to be conscientious about how taxpayer dollars are spent, the City maintained throughout 2009 a Moody's Investors Service Aa1 rating. Strongsville remains one of the few cities in Ohio to have been awarded the Aa1 rating. On April 16, 2010, Moody's began the recalibration of its municipal ratings to its global scale. The City's rating changed from Aa1 to Aaa on April 20, 2010 as result of the recalibration.

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, 2009, the City's overall legal debt margin was at \$103,751,316 and the unvoted legal debt margin was at \$26,709,374. 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 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 2009 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 2009 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 2009 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, 2009
(Unaudited)

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, Joe Dubovec, City of Strongsville, 16099 Foltz Parkway, Strongsville, Ohio 44149, telephone 440-580-3100.

Basic Financial Statements

CITY OF STRONGSVILLE, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 30,804,718	\$ 2,591,889	\$ 33,396,607
Materials and Supplies Inventory	608,719	1,230	609,949
Accounts Receivable	439,694	1,686,985	2,126,679
Intergovernmental Receivable	2,596,915	0	2,596,915
Prepaid Items	272,303	0	272,303
Taxes Receivable	16,716,882	0	16,716,882
Special Assessments Receivable	1,923,207	0	1,923,207
Unamortized Bond Issuance Costs	660,297	0	660,297
Nondepreciable Capital Assets	21,667,253	3,036,787	24,704,040
Depreciable Capital Assets, Net	<u>164,252,227</u>	<u>49,595,476</u>	<u>213,847,703</u>
Total Assets	<u>239,942,215</u>	<u>56,912,367</u>	<u>296,854,582</u>
Liabilities			
Accounts Payable	508,640	30,008	538,648
Accrued Wages and Benefits	660,036	48,102	708,138
Contracts Payable	1,256,358	113,952	1,370,310
Intergovernmental Payable	935,420	37,975	973,395
Accrued Interest Payable	224,402	0	224,402
Deferred Revenue	9,074,871	0	9,074,871
Matured Compensated Absences Payable	187,207	0	187,207
Long-Term Liabilities:			
Due Within One Year	4,046,181	1,031,003	5,077,184
Due in More Than One Year	<u>59,744,454</u>	<u>2,377,650</u>	<u>62,122,104</u>
Total Liabilities	<u>76,637,569</u>	<u>3,638,690</u>	<u>80,276,259</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	125,782,137	49,376,535	175,158,672
Restricted for:			
Capital Projects	11,008,764	0	11,008,764
Debt Service	4,786,443	0	4,786,443
Other Purposes	8,479,949	0	8,479,949
Unrestricted	<u>13,247,353</u>	<u>3,897,142</u>	<u>17,144,495</u>
Total Net Assets	<u>\$ 163,304,646</u>	<u>\$ 53,273,677</u>	<u>\$ 216,578,323</u>

See accompanying notes to the basic financial statements.

CITY OF STRONGSVILLE, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities	Business-Type Activities	Total
Primary Government						
<i>Governmental Activities:</i>						
Security of Persons and Property	\$ 19,224,379	\$ 894,314	\$ 496,956	\$ (17,833,109)	\$ 0	\$ (17,833,109)
Public Health Services	664,106	60,244	0	(603,862)	0	(603,862)
Leisure Time Activities	5,699,830	3,151,756	0	(2,548,074)	0	(2,548,074)
Community Environment	1,342,951	57,393	0	(1,285,558)	0	(1,285,558)
Public Works	2,527,962	457	0	(2,226,744)	0	(2,226,744)
Transportation	15,647,804	12,793	1,822,652	(13,191,729)	0	(13,191,729)
General Government	6,508,706	2,317,001	0	(4,191,705)	0	(4,191,705)
Interest and Fiscal Charges	2,586,722	0	0	(2,586,722)	0	(2,586,722)
<i>Total Governmental Activities</i>	<u>54,202,460</u>	<u>6,493,958</u>	<u>2,319,608</u>	<u>(44,467,503)</u>	<u>0</u>	<u>(44,467,503)</u>
<i>Business-Type Activities:</i>						
Sanitary Sewer Fund	6,771,146	5,104,311	0	0	(1,460,570)	(1,460,570)
<i>Total Business-Type Activities</i>	<u>6,771,146</u>	<u>5,104,311</u>	<u>0</u>	<u>0</u>	<u>(1,460,570)</u>	<u>(1,460,570)</u>
Total Primary Government	<u>\$ 60,973,606</u>	<u>\$ 11,598,269</u>	<u>\$ 2,319,608</u>	<u>(44,467,503)</u>	<u>(1,460,570)</u>	<u>(45,928,073)</u>
General Revenues:						
Property Taxes Levied for:						
General Purposes				557,971	0	557,971
Special Revenue				5,664,398	0	5,664,398
Debt Service				3,893,170	0	3,893,170
Income Taxes Levied for:						
General Purposes				23,250,680	0	23,250,680
Special Revenue				2,680,482	0	2,680,482
Other Taxes for:						
General Purposes				1,237,868	0	1,237,868
Special Revenue				313,231	0	313,231
Payments in Lieu of Taxes				349,651	0	349,651
Grants and Entitlements not Restricted to Specific Programs				3,351,151	0	3,351,151
Investment Earnings				565,760	0	565,760
Total General Revenues				<u>41,864,362</u>	<u>0</u>	<u>41,864,362</u>
Change in Net Assets				<u>(2,603,141)</u>	<u>(1,460,570)</u>	<u>(4,063,711)</u>
Net Assets Beginning of Year				165,907,787	54,734,247	220,642,034
Net Assets End of Year				<u>\$ 163,304,646</u>	<u>\$ 53,273,677</u>	<u>\$ 216,578,323</u>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Street Construction, Maintenance, and Repair	Fire Levy	General Bond Retirement	Police Facility Construction	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$ 8,381,760	\$ 2,450,645	\$ 824,660	\$ 1,265,353	\$ 5,004,831	\$ 12,005,408	\$ 29,932,657
Taxes Receivable	6,320,600	1,202,972	4,345,279	3,623,862	0	1,224,169	16,716,882
Accounts Receivable	138,788	0	0	0	0	300,906	439,694
Special Assessments Receivable	76,859	0	0	0	0	1,846,348	1,923,207
Intergovernmental Receivable	1,317,165	709,412	233,318	187,588	0	149,432	2,596,915
Inventory	70,553	501,314	0	0	0	36,852	608,719
Prepaid Items	272,303	0	0	0	0	0	272,303
Total Assets	<u>\$16,578,028</u>	<u>\$ 4,864,343</u>	<u>\$ 5,403,257</u>	<u>\$ 5,076,803</u>	<u>\$ 5,004,831</u>	<u>\$15,563,115</u>	<u>\$ 52,490,377</u>
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	\$ 329,480	\$ 98,368	\$ 11,750	\$ 0	\$ 0	\$ 69,042	\$ 508,640
Contracts Payable	0	0	0	0	1,052,384	203,974	1,256,358
Accrued Wages and Benefits	301,361	119,999	171,464	0	0	67,212	660,036
Intergovernmental Payable	528,150	16,161	39,588	0	0	17,496	601,395
Matured Compensated Absences Payable	181,171	6,036	0	0	0	0	187,207
Deferred Revenue	3,733,512	957,824	4,575,815	3,811,450	0	3,166,158	16,244,759
Total Liabilities	<u>5,073,674</u>	<u>1,198,388</u>	<u>4,798,617</u>	<u>3,811,450</u>	<u>1,052,384</u>	<u>3,523,882</u>	<u>19,458,395</u>
Fund Balances							
Reserved for Inventory	70,553	501,314	0	0	0	36,852	608,719
Reserved for Prepaid Items	272,303	0	0	0	0	0	272,303
Reserved for Debt Service	0	0	0	1,265,353	0	841,948	2,107,301
Unreserved	11,161,498	3,164,641	604,640	0	3,952,447	11,160,433	30,043,659
Total Fund Balances	<u>11,504,354</u>	<u>3,665,955</u>	<u>604,640</u>	<u>1,265,353</u>	<u>3,952,447</u>	<u>12,039,233</u>	<u>33,031,982</u>
Total Liabilities and Fund Balances	<u>\$ 16,578,028</u>	<u>\$ 4,864,343</u>	<u>\$ 5,403,257</u>	<u>\$ 5,076,803</u>	<u>\$ 5,004,831</u>	<u>\$15,563,115</u>	<u>\$ 52,490,377</u>

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, 2009

Total Governmental Fund Balances		\$33,031,982
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		185,919,480
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 565,704	
Grants and Entitlements	1,713,117	
Income Tax	2,967,860	
Special Assessments	<u>1,923,207</u>	
Total		7,169,888
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	(793,655)	
Unamortized Bond Issuance Costs	<u>660,297</u>	
Total		(133,358)
Long-term liabilities, including bonds and notes payable, compensated absences, and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(58,035,000)	
OPWC Loan	(118,688)	
Special Assessment Bonds	(1,190,000)	
Compensated Absences	(3,115,256)	
Accrued Interest Payable	<u>(224,402)</u>	
Total		<u>(62,683,346)</u>
Net Assets of Governmental Activities		<u>\$163,304,646</u>

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, 2009

	General	Street Construction, Maintenance, and Repair	Fire Levy	General Bond Retirement	Police Facility Construction	Other Governmental Funds	Total Governmental Funds
Revenues							
Municipal Income Taxes	\$ 23,247,208	\$ 2,679,771	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,926,979
Property Taxes	546,972	0	4,312,885	3,811,777	0	1,223,924	9,895,558
Other Taxes	2,265,750	0	0	0	0	0	2,265,750
Intergovernmental Revenue	1,483,463	1,704,991	555,177	466,175	0	2,188,170	6,397,976
Special Assessments	0	0	0	0	0	150,000	150,000
Charges for Services	246,844	12,793	88	0	0	4,486,841	4,746,566
Fines, Licenses, and Permits	1,387,568	0	1,275	0	0	33,912	1,422,755
Interest Income	427,706	22,556	0	61	0	90,632	540,955
Miscellaneous	288,726	0	0	0	0	22,999	311,725
Total Revenues	29,894,237	4,420,111	4,869,425	4,278,013	0	8,196,478	51,658,264
Expenditures							
Current:							
General Government	6,361,691	0	0	0	0	22,953	6,384,644
Security of Persons and Property	9,226,118	0	6,577,434	0	0	2,597,129	18,400,681
Public Health Services	336,666	0	0	0	0	316,388	653,054
Leisure Time Activities	385,055	0	0	0	0	4,698,946	5,084,001
Community Environment	1,334,368	0	0	0	0	0	1,334,368
Public Works	2,511,112	0	0	0	0	16,850	2,527,962
Transportation	0	8,185,855	0	0	0	572,417	8,758,272
Capital Outlay	263,410	39,050	26,607	0	8,125,775	3,932,449	12,387,291
Debt Service:							
Principal Retirement	0	0	0	19,065,000	0	169,457	19,234,457
Interest and Fiscal Charges	0	0	0	2,775,952	0	94,154	2,870,106
Total Expenditures	20,418,420	8,224,905	6,604,041	21,840,952	8,125,775	12,420,743	77,634,836
Excess of Revenues Over (Under) Expenditures	9,475,817	(3,804,794)	(1,734,616)	(17,562,939)	(8,125,775)	(4,224,265)	(25,976,572)
Other Financing Sources (Uses)							
Transfers In	0	4,682,700	1,950,000	20,132	0	3,671,800	10,324,632
Transfers Out	(9,834,500)	0	0	0	0	(490,132)	(10,324,632)
Sale of Capital Assets	26,320	0	0	0	0	26,320	26,320
Proceeds from General Obligation Bonds Issued	0	0	0	16,450,000	0	7,000,000	23,450,000
Proceeds from Refunding Bonds Issued	0	0	0	1,535,000	0	0	1,535,000
Payment of Refunded Bond	0	0	0	(1,535,000)	0	0	(1,535,000)
Premium on Bonds Issued	0	0	0	553,020	0	0	553,020
Total Other Financing Sources (Uses)	(9,808,180)	4,682,700	1,950,000	17,023,152	0	10,181,668	24,029,340
Net Change in Fund Balances	(332,363)	877,906	215,384	(539,787)	(8,125,775)	5,957,403	(1,947,232)
Fund Balances at Beginning of Year	11,836,717	2,788,049	389,256	1,805,140	12,078,222	6,081,830	34,979,214
Fund Balances at End of Year	\$ 11,504,354	\$ 3,665,955	\$ 604,640	\$ 1,265,353	\$ 3,952,447	\$ 12,039,233	\$ 33,031,982

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, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (1,947,232)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 3,931,425

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

Property Tax	219,981	
Grants and Entitlements	(174,201)	
Income Tax	4,183	
Special Assessments	<u>(134,204)</u>	
Total		(84,241)

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. (4,470,173)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 9,799

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>(42,719)</u>
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Change in Net Assets of Governmental Activities \$ (2,603,141)

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
Revenues				
Municipal Income Taxes	\$24,350,000	\$23,450,000	\$23,487,022	\$ 37,022
Property Taxes	438,799	429,688	431,972	2,284
Other Taxes	1,643,447	2,267,647	2,269,312	1,665
Intergovernmental Revenue	1,469,228	1,429,286	1,432,306	3,020
Charges for Services	168,800	236,600	240,667	4,067
Fines, Licenses, and Permits	1,200,000	1,369,600	1,374,846	5,246
Interest Income	585,000	435,000	427,706	(7,294)
Miscellaneous	245,100	340,600	300,430	(40,170)
Total Revenues	<u>30,100,374</u>	<u>29,958,421</u>	<u>29,964,261</u>	<u>5,840</u>
Expenditures				
Current:				
Security of Persons and Property	9,410,500	9,434,350	9,619,112	(184,762)
Public Health Services	370,900	359,300	336,740	22,560
Leisure Time Activities	357,700	403,700	393,380	10,320
Community Environment	1,341,800	1,335,300	1,288,578	46,722
Public Works	2,856,000	2,602,500	2,523,328	79,172
General Government	7,908,300	7,069,750	6,976,616	93,134
Capital Outlay	493,700	309,100	302,124	6,976
Total Expenditures	<u>22,738,900</u>	<u>21,514,000</u>	<u>21,439,878</u>	<u>74,122</u>
Excess of Revenues Over Expenditures	<u>7,361,474</u>	<u>8,444,421</u>	<u>8,524,383</u>	<u>79,962</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	20,000	25,000	26,320	1,320
Refund of Prior Year Expenditures	300,000	305,000	305,775	775
Transfers Out	(8,516,100)	(9,834,500)	(9,834,500)	0
Advances In	0	1,680,000	1,680,000	0
Advances Out	0	(1,680,000)	(1,680,000)	0
Total Other Financing Sources (Uses)	<u>(8,196,100)</u>	<u>(9,504,500)</u>	<u>(9,502,405)</u>	<u>2,095</u>
Net Change in Fund Balance	(834,626)	(1,060,079)	(978,022)	82,057
Fund Balance at Beginning of Year	<u>9,359,782</u>	<u>9,359,782</u>	<u>9,359,782</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,525,156</u>	<u>\$ 8,299,703</u>	<u>\$ 8,381,760</u>	<u>\$ 82,057</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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
Revenues				
Municipal Income Taxes	\$ 2,850,000	\$ 2,750,000	\$ 2,728,890	\$ (21,110)
Intergovernmental Revenue	1,620,000	1,620,000	1,709,242	89,242
Charges for Services	0	13,000	12,793	(207)
Interest Income	30,000	21,000	22,556	1,556
Miscellaneous	10,000	0	0	0
Total Revenues	<u>4,510,000</u>	<u>4,404,000</u>	<u>4,473,481</u>	<u>69,481</u>
Expenditures				
Current:				
Transportation	8,723,600	9,677,200	8,397,892	1,279,308
Capital Outlay	0	39,100	39,050	50
Total Expenditures	<u>8,723,600</u>	<u>9,716,300</u>	<u>8,436,942</u>	<u>1,279,358</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,213,600)</u>	<u>(5,312,300)</u>	<u>(3,963,461)</u>	<u>1,348,839</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	15,000	15,000	0
Transfers In	3,500,000	4,682,700	4,682,700	0
Total Other Financing Sources (Uses)	<u>3,500,000</u>	<u>4,697,700</u>	<u>4,697,700</u>	<u>0</u>
Net Change in Fund Balance	(713,600)	(614,600)	734,239	1,348,839
Fund Balance at Beginning of Year	<u>1,716,406</u>	<u>1,716,406</u>	<u>1,716,406</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,002,806</u>	<u>\$ 1,101,806</u>	<u>\$ 2,450,645</u>	<u>\$ 1,348,839</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Revenues</u>				
Property Taxes	\$ 4,269,902	\$ 4,283,540	\$ 4,312,885	\$ 29,345
Intergovernmental Revenues	586,574	572,936	552,395	(20,541)
Charges for Services	0	500	88	(412)
Fines, Licenses, and Permits	1,500	2,000	1,275	(725)
Miscellaneous	1,000	0	0	0
Total Revenues	<u>4,858,976</u>	<u>4,858,976</u>	<u>4,866,643</u>	<u>7,667</u>
<u>Expenditures</u>				
Current:				
Security of Persons and Property	6,872,900	6,832,500	6,581,513	250,987
Capital Outlay	30,000	16,000	7,309	8,691
Total Expenditures	<u>6,902,900</u>	<u>6,848,500</u>	<u>6,588,822</u>	<u>259,678</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,043,924)</u>	<u>(1,989,524)</u>	<u>(1,722,179)</u>	<u>267,345</u>
<u>Other Financing Sources (Uses)</u>				
Refund of Prior Year Expenditures	0	0	9,159	9,159
Transfers In	2,100,000	1,950,000	1,950,000	0
Total Other Financing Sources (Uses)	<u>2,100,000</u>	<u>1,950,000</u>	<u>1,959,159</u>	<u>9,159</u>
Net Change in Fund Balance	56,076	(39,524)	236,980	276,504
Fund Balance at Beginning of Year	<u>587,680</u>	<u>587,680</u>	<u>587,680</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 643,756</u>	<u>\$ 548,156</u>	<u>\$ 824,660</u>	<u>\$ 276,504</u>

See accompanying notes to the basic financial statements.

CITY OF STRONGSVILLE, OHIO
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Business-Type Activities Sanitary Sewer Fund	Governmental Activities Internal Service Fund
<u>ASSETS</u>		
<u>Current Assets</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 2,591,889	\$ 872,061
Accounts Receivable	1,686,985	0
Inventory	1,230	0
Total Current Assets	4,280,104	872,061
<u>Noncurrent Assets</u>		
Land and Construction in Progress	3,036,787	0
Depreciable Capital Assets, Net	49,595,476	0
Total Noncurrent Assets	52,632,263	0
TOTAL ASSETS	56,912,367	872,061
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts Payable	30,008	0
Accrued Wages and Benefits	48,102	0
Contracts Payable	113,952	0
Intergovernmental Payable	37,975	334,025
Compensated Absences Payable	119,129	0
Claims Payable	0	179,859
Ohio Water Development Authority Loans Payable	897,701	0
Ohio Public Works Commission Loans Payable	14,173	0
Total Current Liabilities	1,261,040	513,884
<u>Noncurrent Liabilities</u>		
Compensated Absences Payable	33,796	0
Claims Payable	0	358,177
Ohio Water Development Authority Loans Payable	2,280,081	0
Ohio Public Works Commission Loans Payable	63,773	0
Total Noncurrent Liabilities	2,377,650	358,177
TOTAL LIABILITIES	3,638,690	872,061
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	49,376,535	0
Unrestricted	3,897,142	0
TOTAL NET ASSETS	\$ 53,273,677	\$ 0

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, 2009

	Business-Type Activities <u>Sanitary Sewer Fund</u>	Governmental Activities <u>Internal Service Fund</u>
<u>Operating Revenues</u>		
Charges for Services	\$ 5,100,811	\$ 1,211,116
Miscellaneous	<u>3,500</u>	<u>0</u>
Total Operating Revenues	<u>5,104,311</u>	<u>1,211,116</u>
<u>Operating Expenses</u>		
Materials and Supplies	178,325	0
Wages and Benefits	1,685,406	0
Utilities	2,205	0
Contractual Services	1,900,515	0
Workers' Compensation Claims	0	1,211,116
Maintenance	145,706	0
Depreciation	2,321,555	0
Other Expenses	<u>323,227</u>	<u>0</u>
Total Operating Expenses	<u>6,556,939</u>	<u>1,211,116</u>
Income (Loss) from Operations	<u>(1,452,628)</u>	<u>0</u>
<u>Non-Operating Expenses</u>		
Intergovernmental	206,265	0
Interest and Fiscal Charges	<u>(214,207)</u>	<u>0</u>
Total Non-Operating Expenses	<u>(7,942)</u>	<u>0</u>
Change in Net Assets	(1,460,570)	0
Net Assets at Beginning of Year	<u>54,734,247</u>	<u>0</u>
Net Assets at End of Year	<u>\$53,273,677</u>	<u>\$ 0</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, 2009

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Sanitary Sewer Fund</u>	<u>Internal Service Fund</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers and Users	\$ 5,289,543	\$ 1,211,116
Cash Received from Other Operating Activities	47,217	0
Cash Paid to Employees	(1,734,297)	0
Cash Paid to Suppliers for Goods and Services	<u>(2,565,418)</u>	<u>(339,055)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,037,045</u>	<u>872,061</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchases of Capital Assets	(1,502,686)	0
Intergovernmental Grant	206,265	0
Principal Paid on Long-Term Debt	(833,147)	0
Interest Paid on Long-Term Debt	<u>(214,207)</u>	<u>0</u>
Net Cash Provided by (Used) for Capital and Related Financing Activities	<u>(2,343,775)</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,306,730)	872,061
Cash and Cash Equivalents at Beginning of Year	<u>3,898,619</u>	<u>0</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,591,889</u>	<u>\$ 872,061</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities</u>		
Operating Income (Loss)	\$ (1,452,628)	\$ 0
Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:		
Depreciation	2,321,555	0
(Increase) Decrease in Assets:		
Accounts Receivable	232,449	0
Inventory	(1,008)	0
Increase (Decrease) in Liabilities:		
Accounts Payable	(17,145)	0
Accrued Wages and Benefits	(939)	0
Compensated Absences Payable	(47,356)	0
Claims Payable	0	538,036
Intergovernmental Payable	2,117	334,025
Total Adjustments	<u>2,489,673</u>	<u>872,061</u>
Net Cash Provided by Operating Activities	<u>\$ 1,037,045</u>	<u>\$ 872,061</u>

See accompanying notes to the basic financial statements.

CITY OF STRONGSVILLE, OHIO
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009

	<u>Agency Funds</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 314,347
Cash in Segregated Accounts	<u>82,531</u>
Total Assets	<u>\$ 396,878</u>
<u>Liabilities</u>	
Deposits Held and Due to Others	<u>\$ 396,878</u>
Total Liabilities	<u>\$ 396,878</u>

See accompanying notes to the basic financial statements.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 15.

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.

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.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

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

Government-wide Financial Statements (Continued)

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 proprietary 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.

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:

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

B. **Fund Accounting** (Continued)

Governmental Funds (Continued)

- *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.
- *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.
- *Police Facility Construction Fund* - This fund accounts for the resources used to construct, equip, and furnish a new police station.

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

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.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

B. **Fund Accounting** (Continued)

Proprietary Funds (Continued)

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's only internal service fund is the Workers' Compensation Reserve Fund. This fund accounts for the accumulation of funds to pay workers' compensation claims.

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 services.

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.

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.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

C. **Measurement Focus** (Continued)

Fund Financial Statements (Continued)

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, 2009
(CONTINUED)

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, 2009, but which were levied to finance year 2010 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, 2009
(CONTINUED)

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 2009, the portfolio of the City was limited to nonparticipating interest-earning investment contracts (e.g., Certificates of Deposit). Nonparticipating investment contracts such as Certificates of Deposit 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 2009 amounted to \$427,706, which includes \$313,458 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, 2009, 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
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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, 2009, 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, 2009
(CONTINUED)

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	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 fifteen years of continuous service is paid one-half (½) of his or her accumulated sick leave, based on their contract agreements.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

K. **Compensated Absences** (Continued)

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

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, and special termination benefits 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.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

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 \$24,275,156 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.

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 services for sewer services and the workers' compensation program. 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 proprietary fund 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.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

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 2009.

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. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

U. **Budgetary Data** (Continued)

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 2009.

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, 2009.

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.

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.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

A. **Change in Accounting Principles**

For 2009, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 52, Land and Other Real Estate Held as Investments by Endowments, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of this Statement did not result in any change in the City's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the presentation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this Statement did not result in any change in the City's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this Statement did not result in any change in the City's financial statements.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(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 Balance - 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.

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CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 4: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

Net Changes in Fund Balance
General and Major Special Revenue Funds

	<u>General</u>	<u>SCMR</u>	<u>Fire Levy</u>
GAAP Basis	\$ (332,363)	\$ 877,906	\$ 215,384
Net Adjustment for Revenue Accruals	2,055,800	68,370	6,377
Net Adjustment for Expenditure Accruals	<u>(2,701,459)</u>	<u>(212,037)</u>	<u>15,219</u>
Budget Basis	<u>\$ (978,022)</u>	<u>\$ 734,239</u>	<u>\$ 236,980</u>

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.

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;

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

(CONTINUED)

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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).

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.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

A. **Cash on Hand**

At December 31, 2009, the City had \$10,031 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, 2009, the carrying amount of the City’s deposits was \$33,783,454 (including \$17,450,000 in certificates of deposit and \$82,531 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, 2009, \$18,200,000 of the City’s bank balance of \$34,015,858 was covered by Federal Depository Insurance and \$15,815,858 was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the City’s name.

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, 2009, the City had no investments that follow GASB Statement No. 31.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

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.

E. Credit Risk

The City has no investment policy that would further limit its investment choices other than the limitations imposed by the Ohio Revised Code. As of December 31, 2009, the City had no investments.

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. As of December 31, 2009, the City had no investments.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(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, 2009.

<u>Cash and Investments per Footnote</u>	
Carrying Amount of Deposits	\$ 33,783,454
Cash on Hand	10,031
Total Cash and Investments per Footnote	<u>\$ 33,793,485</u>
<u>Cash and Investments per Statement of Net Assets</u>	
Governmental Activities	\$ 30,804,718
Business-Type Activities	2,591,889
Agency Funds	396,878
Total Cash and Investments per Statement of Net Assets	<u>\$ 33,793,485</u>

NOTE 6: **RECEIVABLES**

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, 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. 2009 public utility property taxes which became a lien at December 31, 2008, are levied after October 1, 2009, and are

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 6: **RECEIVABLES** (Continued)

A. **Property Taxes** (Continued)

collected in 2010 with real property taxes. 2009 tangible personal property taxes are levied after October 1, 2008 on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments are being phased out - the assessment percentage for all property including inventory for 2009 is 0 percent.

The 2008 assessed value upon which the 2009 tax receipts were based on was \$1,540,838,842. The full tax rate for all City operations applied to taxable property for the year ended December 31, 2009, was \$9.9 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, 2009
(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 \$1,846,348 in the Special Assessment Bond Retirement Fund. At December 31, 2009, the amount of delinquent special assessments was \$77,665.

D. Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Government Activities:	
Local Government	\$ 556,959
Estate Tax	333,747
Homestead and Rollback	495,680
Gasoline Tax	742,647
Public Utility Reimbursement	54,344
Muni Tax HB 433	227,104
Other	186,434
Total Intergovernmental Receivables	<u>\$ 2,596,915</u>

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 7: **INTERFUND TRANSACTIONS**

A. **Interfund Transfers**

As of December 31, 2009, interfund transfers were as follows:

<u>Transfer to:</u>	Transfer From		<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
Street Construction, Maintenance, and Repair Fund	\$ 4,532,700	\$ 150,000	\$ 4,682,700
Fire Levy Fund	1,950,000	0	1,950,000
General Bond Retirement Fund	0	20,132	20,132
Nonmajor Governmental Funds	<u>3,351,800</u>	<u>320,000</u>	<u>3,671,800</u>
Total Interfund Transfers	<u>\$ 9,834,500</u>	<u>\$ 490,132</u>	<u>\$10,324,632</u>

A transfer made from the Fire Station Capital Improvement Fund (Other Government Funds) to the Bond Retirement Fund was to provide debt service payments on the Fire Station capital improvement debt. Transfers made from the State Highway Maintenance Fund, Motor Vehicle License Tax Fund, and General Capital Improvement Fund (Other Government Funds) were made for the acquisition of permanent improvements. All other transfers were made from the General Fund to provide additional resources for current operations.

B. **Interfund Receivables and Payables**

No interfund receivable or payable balances exist at December 31, 2009.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 8: CAPITAL ASSETS

A summary of changes in capital assets during 2009 follows:

	Balance 12/31/2008	Additions	Disposals	Balance 12/31/2009
<u>Governmental Activities</u>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 7,393,905	\$ 0	\$ 0	\$ 7,393,905
Construction in Progress	2,139,248	12,134,100	0	14,273,348
<i>Total Capital Assets Not Being Depreciated</i>	<u>9,533,153</u>	<u>12,134,100</u>	<u>0</u>	<u>21,667,253</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	39,730,236	0	0	39,730,236
Land Improvements	2,118,533	6,993	0	2,125,526
Machinery and Equipment	2,844,807	75,164	0	2,919,971
Furniture and Fixtures	758,616	0	0	758,616
Vehicles	11,373,452	558,825	(415,821)	11,516,456
Infrastructure:				
Streets	157,191,343	0	0	157,191,343
Storm Sewers	75,756,578	26,900	0	75,783,478
Sidewalks	7,649,377	0	0	7,649,377
Traffic Signalization	4,915,810	0	0	4,915,810
<i>Total Capital Assets Being Depreciated</i>	<u>302,338,752</u>	<u>667,882</u>	<u>(415,821)</u>	<u>302,590,813</u>
Total Capital Assets at Cost	<u>311,871,905</u>	<u>12,801,982</u>	<u>(415,821)</u>	<u>324,258,066</u>
Less Accumulated Depreciation:				
Buildings	(6,754,830)	(738,289)	0	(7,493,119)
Land Improvements	(944,426)	(80,332)	0	(1,024,758)
Machinery and Equipment	(1,633,744)	(268,456)	0	(1,902,200)
Furniture and Fixtures	(304,963)	(58,909)	0	(363,872)
Vehicles	(7,446,173)	(1,017,755)	360,841	(8,103,087)
Infrastructure:				
Streets	(76,713,125)	(4,783,356)	0	(81,496,481)
Storm Sewers	(30,763,744)	(1,439,449)	0	(32,203,193)
Sidewalks	(4,275,070)	(242,229)	0	(4,517,299)
Traffic Signalization	(1,047,775)	(186,802)	0	(1,234,577)
Total Accumulated Depreciation	<u>(129,883,850)</u>	<u>(8,815,577)*</u>	<u>360,841</u>	<u>(138,338,586)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>172,454,902</u>	<u>(8,147,695)</u>	<u>(54,980)</u>	<u>164,252,227</u>
Total Governmental Activities Capital Assets, Net	<u>\$181,988,055</u>	<u>\$ 3,986,405</u>	<u>\$ (54,980)</u>	<u>\$ 185,919,480</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$ 988,295
Leisure Time Activities	606,757
Transportation	6,989,834
General Government	199,705
Community Environment	30,986
Total Depreciation Expense	<u>\$ 8,815,577</u>

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

A summary of changes in capital assets during 2009 follows:

	Balance 12/31/2008	Additions	Disposals	Balance 12/31/2009
<u>Business-Type Activities</u>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 1,508,079	\$ 0	\$ 0	\$ 1,508,079
Construction in Progress	11,250	1,517,458	0	1,528,708
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,519,329</u>	<u>1,517,458</u>	<u>0</u>	<u>3,036,787</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	8,735,561	0	0	8,735,561
Furniture and Fixtures	19,748	0	0	19,748
Vehicles	1,512,117	99,180	(18,750)	1,592,547
Infrastructure:				
Sanitary Sewer	95,773,367	0	0	95,773,367
<i>Total Capital Assets Being Depreciated</i>	<u>119,785,746</u>	<u>99,180</u>	<u>(18,750)</u>	<u>119,866,176</u>
<i>Total Capital Assets at Cost</i>	<u>121,305,075</u>	<u>1,616,638</u>	<u>(18,750)</u>	<u>122,902,963</u>
Less Accumulated Depreciation:				
Buildings	(4,572,347)	(187,956)	0	(4,760,303)
Land Improvements	(3,606,695)	(2,949)	0	(3,609,644)
Machinery and Equipment	(7,542,877)	(93,296)	0	(7,636,173)
Furniture and Equipment	(18,762)	0	0	(18,762)
Vehicles	(735,821)	(217,656)	18,750	(934,727)
Infrastructure:				
Sanitary Sewer	(51,491,393)	(1,819,698)	0	(53,311,091)
<i>Total Accumulated Depreciation</i>	<u>(67,967,895)</u>	<u>(2,321,555)</u>	<u>18,750</u>	<u>(70,270,700)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>51,817,851</u>	<u>(2,221,437)</u>	<u>0</u>	<u>49,595,476</u>
Total Business-Type Capital Assets, Net	<u>\$ 53,337,180</u>	<u>\$ (704,917)</u>	<u>\$ 0</u>	<u>\$ 52,632,263</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 2009, 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, 2009
(CONTINUED)

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

A. **Commercial Insurance** (Continued)

Company	Type of Coverage	Coverage Limits		Deductible
		Per Occurrence	Aggregate	
HCC Insurance	Commercial and Personal Property Coverage (includes Boiler and Machinery coverage)	\$ 68,831,891	\$	\$ 1,000
	Ancillary Equipment (Rented)	150,000		1,000
	Earthquake Damage	5,000,000		50,000
	Flood Damage	500,000		50,000
	Inland Marine	6,069,197		1,000
	Crime Coverage			
	Theft, Disappearance, and Destruction	25,000		250
	Employee Dishonesty	50,000		250
	Forgery and Alteration	25,000		250
	Computer Fraud	50,000		250
	Comprehensive General Liability	1,000,000	3,000,000	0
	Employee Benefits Liability	1,000,000	3,000,000	1,000
	Stop Gap	1,000,000		0
	Public Officials Liability	1,000,000	1,000,000	10,000
	Police Professional Liability	1,000,000	1,000,000	5,000
	Property Liability	50,000		0
	Medical Expense Liability	10,000		0
	Pesticide/Herbicide Liability	25,000	25,000	0
	Cemetery Professional Liability	Included		Included
	EMT/Paramedic Malpractice Liability	Included		Included
	Sewer Liability	Included		Included
	Certified Acts of Terrorism	Included		Included
	Automobile Liability and Physical Damage Coverage	1,000,000		0
	Auto Liability Comprehensive -			
	Fire Vehicles	Replacement Cost		250
	Other Vehicles	Actual Cash Value		250
	Auto Liability Collision -			
	Fire Vehicles	Replacement Cost		1,000
	Other Vehicles	Actual Cash Value		1,000
	Medical Payments	5,000		0
	Hired or Borrowed Vehicle Rentals	50,000		250
	Miscellaneous			
	Electronic Data Processing	621,132		1,000
	Umbrella Coverage	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.

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.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

B. Workers' Compensation Retrospective Rating Plan

As of December 31, 2009, the City completed its fourth 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 2009, 2008, and 2007, the maximum individual claim cost was \$300,000, \$300,000, and \$300,000, respectively, and the maximum aggregate claim cost was \$1,461,716, \$1,191,237, and \$1,089,360, respectively. The retrospective rating minimum premium due from the City in 2009, 2008, and 2007 was \$329,349, \$304,332, and \$244,621, respectively. This resulted in considerable savings from the experience rated premium of \$875,071, \$681,760, and \$544,680 for 2009, 2008, and 2007, respectively.

NOTE 10: **PENSION PLANS**

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2009, the members of all three plans were required to contribute 10.00 percent of their annual covered salaries. The City's contribution rate of 14.00 percent was allocated to fund pension benefits was 7.00 percent from January 1 through March 31, 2009 and 8.50 percent from April 1 through December 31, 2009. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to all three plans for the years ended December 31, 2009, 2008, and 2007 were \$862,856, \$762,856, and \$851,978, respectively, equal to the required contributions for each year. The full amount has been contributed for 2008 and 2007. 92.61 percent has been contributed for 2009.

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 pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. 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.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

B. Ohio Police and Fire Pension Fund (Continued)

Plan members are required to contribute 10.00 percent of their annual covered salary, while employers are required to contribute 19.50 percent for police officers and 24.00 percent for firefighters. Contributions are authorized by state statute. The portion of the City's contributions to fund pension obligations was 12.75 percent for police officers and 17.25 percent for firefighters. The City's contributions for pension obligations to the OP&F for police and firefighters were \$731,106 and \$866,707 for the year ended December 31, 2009, \$692,906 and \$837,528 for the year ended December 31, 2008, and \$676,100 and \$796,452 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 92.83 percent for police and 89.84 percent for firefighters has been contributed for 2009, with the remainder being reported as a liability.

NOTE 11: **POST-EMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. The 2009 local government employer contribution rate was 14.00 percent of covered payroll.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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 contributions rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 7.00 percent from January 1 through March 31, 2009 and 5.50 percent from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual employer contributions for years end December 31, 2009, 2008, and 2007 which were used to fund post-employment benefits were \$623,199, \$762,856 and \$561,183, respectively; 92.61 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. 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.

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

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit 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 2/3 basis. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

B. Ohio Police and Fire Pension Fund (Continued)

OP&F maintains funds for health care in two separate accounts. One account is for health care benefits under IRS Code Section 115 trust and one account is for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OP& F Board of Trustees.

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required 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 maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 Trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of the Sections 115 and 401(h).

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

B. Ohio Police and Fire Pension Fund (Continued)

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$387,056 and \$339,146 for the year ended December 31, 2009, \$366,832 and \$327,728 for the year ended December 31, 2008, and \$357,936 and \$311,655 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 92.83 percent has been contributed for police and 89.84 percent has been contributed for firefighters for 2009.

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CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 12: LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the City during 2009 were as follows:

	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009	Amounts Due in One Year
Governmental Activities:					
<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	\$ 125,000	\$ 0	\$ (45,000)	\$ 80,000	\$ 15,000
Variable Rate (4.05% in 2000 to 5.05% in 2014), \$5,955,000 1997 Street Improvement Bonds due through 2009	445,000	0	(445,000)	0	0
Variable Rate (3% in 2002 to 3.5% in 2006), \$7,190,000 Library Improvement Bonds due through 2020	5,005,000	0	(325,000)	4,680,000	335,000
Variable Rate (3% in 2002 to 4% in 2007), 2002 \$1,775,000-Fire Station Bonds-due through 2021	1,680,000	0	(15,000)	1,665,000	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	10,570,000	0	(755,000)	9,815,000	640,000
Variable Rate (3% in 2002 to 4% in 2007), \$870,000 Fire Truck Acquisition Bonds due through 2011	380,000	0	(120,000)	260,000	125,000
Variable Rate (3% in 2002 to 4% in 2007), \$650,000 Communications Equipment Acquisition Bonds due through 2016	540,000	0	(20,000)	520,000	20,000
Variable Rate (3% in 2002 to 4% in 2007), \$455,000 Service Center Expansion Bond-due through 2021	400,000	0	(10,000)	390,000	10,000
Variable Rate (3% in 2005 to 5% in 2015), \$6,685,000 2005 Various Purpose Improvement Bond, due through 2025	5,890,000	0	(400,000)	5,490,000	485,000
Variable Rate (3.75% in 2006 to 4% in 2015), \$11,740,000 2006 Various Purpose Improvement Bonds, due through 2026	11,075,000	0	(300,000)	10,775,000	410,000
Variable Rate (4.05% in 2000 to 5.05% in 2014), 1997 \$2,130,000 Sanitary Sewer Various Purpose Improvement-due through 2014	1,090,000	0	(1,090,000)	0	0
Variable Rate (2.50% in 2009 to 4.625% in 2034), 2009 \$16,450,000 Various Purpose Improvement Bonds, due through 2034	0	16,450,000	0	16,450,000	40,000
Variable Rate (2.25% through 2.50%), 2009 Refunding of 1997 Bonds, due through 2014	0	1,535,000	(625,000)	910,000	170,000
Variable Rate (1.50% in 2009 to 5.00% in 2029), 2009 \$7,000,000 Street Improvement Bonds, due through 2029	0	7,000,000	0	7,000,000	25,000
Total General Obligation Bonds	<u>37,200,000</u>	<u>24,985,000</u>	<u>(4,150,000)</u>	<u>58,035,000</u>	<u>2,290,000</u>

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009	Amounts Due in One Year
Governmental Activities: (Continued)					
<u>OPWC Loan</u>					
Ohio Public Works Commission - 0% 1995, \$218,938 Note due through 2015	71,155	0	(10,947)	60,208	10,947
Ohio Public Works Commission - 0% 1996, \$90,900 Note due through 2016	31,814	0	(4,545)	27,269	4,545
Ohio Public Works Commission- 0% 1998, \$67,476 Note due through 2017	28,677	0	(3,374)	25,303	3,374
Ohio Public Works Commission 0% 1999, \$11,817 Note due through 2020	6,499	0	(591)	5,908	591
<i>Total OPWC Loans</i>	<u>138,145</u>	<u>0</u>	<u>(19,457)</u>	<u>118,688</u>	<u>19,457</u>
<u>Special Assessment Bonds</u>					
Various Purpose Improvement Bonds - 1994, \$1,170,000 (4.0% in 1994 to 6.0% in 2014) due through 2014	485,000	0	(70,000)	415,000	70,000
Various Purpose Improvement Bonds - 1996, \$1,255,000, 5.7% due through 2016	660,000	0	(65,000)	595,000	70,000
Various Purpose Improvement Bonds - 1998, \$305,000, (4.55% in 1998 to 5.50% in 2018) due through 2018	195,000	0	(15,000)	180,000	15,000
<i>Total Special Assessment Bonds</i>	<u>1,340,000</u>	<u>0</u>	<u>(150,000)</u>	<u>1,190,000</u>	<u>155,000</u>
<u>Long-Term Note</u>					
Various Purpose Improvement Note, 2008-2, \$16,450,000, 3.25%, due 5/14/2009	16,450,000	0	(16,450,000)	0	0
<i>Total Long-Term Notes</i>	<u>16,450,000</u>	<u>0</u>	<u>(16,450,000)</u>	<u>0</u>	<u>0</u>
<u>Other Liabilities</u>					
Compensated Absences	3,072,537	1,425,361	(1,382,642)	3,115,256	1,401,865
Workers' Compensation Claims	432,597	461,250	(355,811)	538,036	179,859
Unamortized Bond Premiums	265,440	553,020	(24,805)	793,655	0
<i>Total Other Liabilities</i>	<u>3,770,574</u>	<u>2,439,631</u>	<u>(1,763,258)</u>	<u>4,446,947</u>	<u>1,581,724</u>
Total Governmental Activities	<u>58,898,719</u>	<u>27,424,631</u>	<u>(22,532,715)</u>	<u>63,790,635</u>	<u>4,046,181</u>

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009	Amounts Due in One Year
Business-Type Activities:					
<i>Enterprise Fund Debt - Sewer</i>					
<u>OWDA Loans</u>					
Ohio Water Development Authority, 10.54% \$7,315,971 1984 Loan due through 2011	\$ 1,447,048	\$ 0	\$ (687,153)	\$ 759,895	\$ 759,895
Ohio Water Development Authority, 4.77% \$948,523 2002 Loan due through 2022	730,309	0	(39,813)	690,496	41,706
Ohio Water Development Authority, 4.4% \$2,259,707 2003 Loan due through 2023	1,819,399	0	(92,008)	1,727,391	96,100
Total OWDA Loans	<u>3,996,756</u>	<u>0</u>	<u>(818,974)</u>	<u>3,177,782</u>	<u>897,701</u>
Ohio Public Works Commission, 0% \$283,455 1995 Note due through 2015	92,119	0	(14,173)	77,946	14,173
<i>Total Enterprise Fund Debt - Sewer</i>	<u>4,088,875</u>	<u>0</u>	<u>(833,147)</u>	<u>3,255,728</u>	<u>911,874</u>
<u>Other Liabilities:</u>					
Compensated Absences	200,281	108,650	(156,006)	152,925	119,129
Total Business-Type Activities	<u>4,289,156</u>	<u>108,650</u>	<u>(989,153)</u>	<u>3,408,653</u>	<u>1,031,003</u>
Total Long-Term Liabilities	<u>\$63,187,875</u>	<u>\$27,533,281</u>	<u>\$(23,521,868)</u>	<u>\$ 67,199,288</u>	<u>\$ 5,077,184</u>

On May 13, 2009, the City issued general obligation bonds in the amount of \$17,985,000, with annual interest rates varying between 2.25 percent and 4.625 percent. A portion of the bond issuance was used to retire the 2008 various purpose improvement notes in the amount of \$16,450,000. The remaining portion of the bond issuance was used to current refund the 1997 street improvement and sanitary sewer improvement general obligation bonds. The debt service requirements will be paid from the General Bond Retirement Fund.

On December 8, 2009, the City issued general obligation bonds in the amount of \$7,000,000 with annual interest rates varying between 1.50 percent and 5.00 percent. This bond issuance will be used for Pearl Road and Howe Road improvements. The debt service requirements will be paid from the General Bond Retirement Fund.

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. Workers' Compensation claims will be paid from the Workers' Compensation Reserve Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

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, 2009, the amount of defeased debt outstanding but removed from governmental activities amounted to \$9,645,000.

Principal and Interest Requirements

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2009 are as follows:

Due In	Governmental Activities					
	General Obligation Bonds		Special Assessment Bonds		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,290,000	\$ 2,620,697	\$ 155,000	\$ 72,105	\$ 19,457	\$ 0
2011	2,335,000	2,543,358	170,000	62,390	19,457	0
2012	2,330,000	2,458,441	185,000	51,740	19,457	0
2013	2,430,000	2,359,948	190,000	40,340	19,457	0
2014	2,525,000	2,253,937	205,000	28,615	19,457	0
2015-2019	13,780,000	9,499,206	285,000	30,430	21,403	0
2020-2024	13,900,000	6,192,386	0	0	0	0
2025-2029	12,535,000	2,995,191	0	0	0	0
2030-2034	5,910,000	841,823	0	0	0	0
	<u>\$58,035,000</u>	<u>\$31,764,987</u>	<u>\$1,190,000</u>	<u>\$ 285,620</u>	<u>\$ 118,688</u>	<u>\$ 0</u>

Due In	Governmental Activities	
	Totals	
	Principal	Interest
2010	\$ 2,464,457	\$ 2,692,802
2011	2,524,457	2,605,748
2012	2,534,457	2,510,181
2013	2,639,457	2,400,288
2014	2,749,457	2,282,552
2015-2019	14,086,403	9,529,636
2020-2024	13,900,000	6,192,386
2025-2029	12,535,000	2,995,191
2030-2034	5,910,000	841,823
	<u>\$59,343,688</u>	<u>\$32,050,607</u>

Due In	Business-Type					
	OWDA Loans		OPWC Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 897,701	\$ 186,708	\$ 14,173	\$ 0	\$ 911,874	\$ 186,708
2011	144,065	100,670	14,173	0	158,238	100,670
2012	150,607	94,128	14,173	0	164,780	94,128
2013	157,447	87,288	14,173	0	171,620	87,288
2014	164,597	80,138	14,173	0	178,770	80,138
2015-2019	942,165	281,510	7,081	0	949,246	281,510
2020-2023	721,200	61,697	0	0	721,200	61,697
	<u>\$ 3,177,782</u>	<u>\$ 892,139</u>	<u>\$ 77,946</u>	<u>\$ 0</u>	<u>\$ 3,255,728</u>	<u>\$ 892,139</u>

CITY OF STRONGSVILLE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 13: CONSTRUCTION COMMITMENTS

As of December 31, 2009, the City had the following significant commitments with respect to capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>
Pearl Road	\$14,343,906
Police Facility	3,952,446
Royalton Road and West 130 th Street Intersection	20,000
Westwood Culvert	<u>130,272</u>
Total Construction Commitments	<u>\$18,446,624</u>

NOTE 14: 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 15: 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.

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 2009, the City of Strongsville contributed \$316,338 to the Health Center.

**CITY OF STRONGSVILLE
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through the Ohio Department of Transportation</i>			
Highway Planning and Construction Grants	CUY-42-0.90	20.205	\$508,074
Specialized Transportation Vehicle Grant	N/A	20.513	<u>35,098</u>
Total U.S. Department of Transportation			<u>543,172</u>
Total Expenditures			<u><u>\$543,172</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF STRONGSVILLE
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2009**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

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

CFDA – Catalog of Federal Domestic Assistance

N/A – Not Applicable



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 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 City of Strongsville, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 4, 2010. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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*.

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www.auditor.state.oh.us

City of Strongsville
Cuyahoga County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 4, 2010.

We intend this report solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and others within the City. We intend it for no one other than these specified parties.

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

June 4, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

Compliance

We have audited the compliance of the City of Strongsville, Cuyahoga County, Ohio (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Strongsville complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

June 4, 2010

**CITY OF STRONGSVILLE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction Grant – CFDA 20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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
AUGUST 12, 2010**