

City of Lyndhurst, Ohio

December 31, 2009



Mary Taylor, CPA
Auditor of State

City Council
City of Lyndhurst
5301 Mayfield Road
Lyndhurst, Ohio 44124

We have reviewed the *Independent Auditors' Report* of the City of Lyndhurst, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

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Auditor of State

June 17, 2010

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City of Lyndhurst, Ohio

For The Year Ended December 31, 2009

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Independent Auditors' Report

Members of the City Council
Lyndhurst, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lyndhurst, 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 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2009, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the City Council
Lyndhurst, Ohio

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Cini & Panichi, Inc.

Cleveland, Ohio
June 11, 2010

CITY OF LYNDHURST, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2009***

Unaudited

The discussion and analysis of the City of Lyndhurst's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2009 are as follows:

- ❑ In total, net assets decreased \$2,744,117, a 2.9% decrease from 2008.
- ❑ General revenues accounted for approximately \$14.3 million in revenue or 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 23% of total revenues of approximately \$18.6 million.
- ❑ The City had approximately \$21.3 million in expenses related to governmental activities; only approximately \$4.3 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of approximately \$14.3 million and reserves were adequate to provide for these programs.
- ❑ Among major funds, the general fund had approximately \$13.8 million in revenues and approximately \$13.3 million in expenditures. The general fund's fund balance decreased \$153,509 to \$4,045,164.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CITY OF LYNDHURST, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2009*

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accepting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as property tax base, income tax base, current property tax laws, conditions of the City's streets and continued growth within the City.

The government-wide financial statements of the City are divided into two categories:

- Governmental Activities – The City's programs and services that are reported here include security of persons and property, public health and welfare services, leisure time activities, community environment, basic utility services, transportation and general government.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City has no business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance City activities. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CITY OF LYNDHURST, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2009***

Unaudited

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 statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets.

The presentation of the City's major funds begins on page 14. The City's major funds are the General Fund, General Obligation Bond Retirement Fund, the Permanent Improvement Fund and the Capital Reserve Fund.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets as of December 31, 2009 and 2008:

	Governmental Activities	
	2009	2008
Current and other assets	\$26,328,560	\$26,958,058
Capital assets, Net	75,044,472	76,518,019
Total assets	101,373,032	103,476,077
Long-term debt liabilities	4,459,772	4,272,650
Other liabilities	6,022,053	5,568,103
Total liabilities	10,481,825	9,840,753
Net assets		
Invested in capital assets, net of related debt	71,688,260	73,486,752
Restricted	13,337,538	15,382,764
Unrestricted	5,865,409	4,765,808
Total net assets	\$90,891,207	\$93,635,324

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CITY OF LYNDHURST, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2009***

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2009 and 2008:

	Governmental Activities	
	2009	2008
Revenues		
Program revenues:		
Charges for Services and Sales	\$2,535,651	\$2,653,444
Operating Grants and Contributions	1,672,521	1,360,835
Capital Grants and Contributions	117,268	463,939
General revenues:		
Property Taxes	4,981,835	5,249,674
Municipal Income Taxes	6,117,228	5,820,074
Other Local Taxes	128,884	136,540
Unrestricted Grants and Entitlements	2,861,416	2,197,426
Investment Earnings	65,957	534,533
Miscellaneous	115,457	186,383
Total revenues	18,596,217	18,602,848
Program Expenses		
Security of Persons and Property	8,710,483	8,241,523
Public Health and Welfare Services	56,532	55,004
Leisure Time Activities	1,153,984	1,265,328
Community Environment	597,469	593,221
Basic Utility Services	3,957,095	3,938,514
Transportation	2,043,852	2,842,018
General Government	4,714,088	3,853,735
Interest and Fiscal Charges	106,831	90,874
Total expenses	21,340,334	20,880,217
Total Change in Net Assets	(2,744,117)	(2,277,369)
Net Assets Beginning of Year	93,635,324	95,912,693
Net Assets End of Year	\$90,891,207	\$93,635,324

Governmental Activities

Net assets of the City's governmental activities decreased by \$2,744,117. Total revenues declined by less than 1% compared to 2008. Most predominant is the property tax revenue, which accounts for 27% of total revenues. These revenues decreased by 5.1% in 2009 as part of the national decline in property values as well as increased late payments. Furthermore, a substantial decrease in investment earnings supported the decline in revenues for 2009. Significant increases in both Security of Persons and Property and General Government program expenditures also played a strong role in the reduction of net assets. The investment in these two predominant programs was planned as the City looks to redefine business by implementing new programs with the long term goal of cost reduction. Capital purchases and pension buyouts for labor reduction were major expenditures for both the General Government and Security of Persons and Property Programs in 2009.

CITY OF LYNDHURST, OHIO

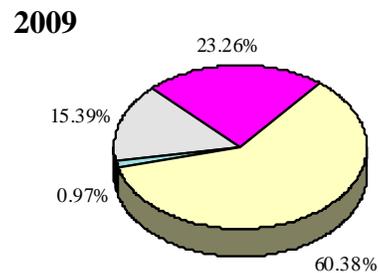
**Management's Discussion and Analysis
For the Year Ended December 31, 2009**

Unaudited

The City also receives an income tax, which is based on 1.5% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City. Residents who work outside the City and are subject to a municipal income tax receive a 50% credit against the income tax liability due to Lyndhurst.

Property taxes and income taxes made up 27% and 32.9%, respectively of revenues for governmental activities for the City in fiscal year 2009. The City's reliance upon tax revenues is demonstrated by the following graph indicating approximately 60.38% of total revenues from general tax revenues:

Revenue Sources	2009	Percent of Total
General Shared Revenues	\$2,861,416	15.39%
Program Revenues	4,325,440	23.26%
General Tax Revenues	11,227,947	60.38%
General Other	181,414	0.97%
Total Revenue	\$18,596,217	100.00%



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$15,534,317, which is a decrease from last year's balance of \$17,070,543. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2009 and 2008:

	Fund Balance December 31, 2009	Fund Balance December 31, 2008	Increase (Decrease)
General	\$4,045,164	\$4,198,673	(\$153,509)
General Obligation Bond Retirement	1,455,339	1,062,186	393,153
Permanent Improvement	2,005,425	3,375,807	(1,370,382)
Capital Reserve	3,073,016	3,134,562	(61,546)
Other Governmental	4,955,373	5,299,315	(343,942)
Total	\$15,534,317	\$17,070,543	(\$1,536,226)

CITY OF LYNDHURST, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2009*

Unaudited

General Fund – The City's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2009	2008	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$9,015,228	\$8,999,763	\$15,465
Intergovernmental Revenue	2,586,147	2,286,465	299,682
Charges for Services	538,434	528,982	9,452
Licenses and Permits	28,102	0	28,102
Fines and Forfeitures	1,456,384	1,543,810	(87,426)
All Other Revenue	196,081	184,593	11,488
Total	<u>\$13,820,376</u>	<u>\$13,543,613</u>	<u>\$276,763</u>

General Fund revenues in 2009 increased approximately 2.0% compared to revenues in fiscal year 2008. The most significant factor contributing to this increase was an increase in intergovernmental revenue. The major increase was due to estate tax collections.

	2009	2008	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$6,892,031	\$6,761,946	\$130,085
Public Health and Welfare Services	56,532	55,004	1,528
Leisure Time Activities	678,426	789,281	(110,855)
Community Environment	369,331	383,889	(14,558)
Basic Utility Services	1,171,456	1,325,907	(154,451)
General Government	4,136,925	3,769,020	367,905
Total	<u>\$13,304,701</u>	<u>\$13,085,047</u>	<u>\$219,654</u>

General Fund expenditures increased by \$219,654 or 1.7% compared to the prior year. Expenditures in the General Fund were tightly controlled by several factors. Inasmuch as fuel, utilities, salaries and benefits experienced increases; the City moved towards its long-term goal to reduce spending. This was accomplished by using many different components, including a reduction in labor force as well as limiting outsourcing and professional services coupled with enhancing City services.

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.

CITY OF LYNDHURST, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2009***

Unaudited

During the course of fiscal year 2009 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of approximately \$13.1 million did not change over the original budget estimates. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2009 the City had \$75,044,472 net of accumulated depreciation invested in land, improvements, infrastructure, buildings and machinery and equipment. The following table shows fiscal year 2009 and 2008 balances (net of accumulated depreciation):

	Governmental Activities		Increase (Decrease)
	2009	2008	
Land	\$394,193	\$394,193	\$0
Construction in Progress	611,622	183,190	428,432
Buildings	9,742,784	9,742,784	0
Improvements Other than Buildings	2,502,932	2,502,932	0
Machinery and Equipment	8,717,303	8,088,781	628,522
Infrastructure	112,168,501	111,656,517	511,984
Less: Accumulated Depreciation	(59,092,863)	(56,050,378)	(3,042,485)
Totals	<u>\$75,044,472</u>	<u>\$76,518,019</u>	<u>(\$1,473,547)</u>

The primary increases occurred in infrastructure and machinery and equipment, which resulted from a citywide objective to reduce costs and maintain both services and a strong financial grasp during the tumultuous economic decline. Road and sewer projects account for most of the increase to infrastructure. A water main replacement in 2009 completed the sweep of water main replacements for the entire City along with a continued sewer rehabilitation program. The acquisition of two automated refuse vehicles and receptacles lead the way with the increase in machinery and equipment. These acquisitions helped pave the way into a less labor intensive refuse collection program. A new squad and four new police vehicles were purchased in 2009 for the safety forces. The entire fleet of police vehicles was equipped with new digital video systems and MDT systems. These steady technological upgrades and improvements will assist the police force in quickly retrieving and sending data necessary to maintain the safety and security of the community. A sustained high level of street repairs and improvements continued into 2009. Additional information on the City's capital assets can be found in Note 7.

CITY OF LYNDHURST, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2009***

Unaudited

Debt

At December 31, 2009, the City had approximately \$1.8 million in bonds outstanding, \$175,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Governmental Activities:		
General Obligation Bonds	\$1,855,000	\$2,025,000
Special Assessment Bonds	0	4,000
Long-Term Notes	1,500,000	1,000,000
Capital Leases Payable	1,212	2,267
Compensated Absences	1,103,560	1,241,383
Total Governmental Activities	<u>\$4,459,772</u>	<u>\$4,272,650</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the county in which Lyndhurst lies, is limited to 11.5 mills. At December 31, 2009, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11 and Note 12.

ECONOMIC FACTORS

The TRW Corporation, once a major employer in the City of Lyndhurst, was purchased by Northrop Grumman in late 2002. Upon the exit of TRW and in an effort to stabilize the city's economy, Legacy Village (a premier retail district) was erected and continues to trend the economic tax base of the City in a positive fashion. The footprint of Legacy Village combined with the presence of the Cleveland Clinic provide for an exclusive plan that was expected to take shape within the next few years. Due to the general state of the economy on both a Federal and State level, much of the anticipated impact to these changes for 2009 was stalled while investors slowed the pace of their financial influx but not their commitment to the plan. A most recent event adding to the future development of this southeast quadrant of the City is the sale of the Acacia Country Club (Acacia CC). Acacia CC, is a 160-acre property located in the City of Lyndhurst and adjacent to Legacy Village. The shareholders voted in 2008 to dissolve the club and sell this unique property. Acacia CC continues to be a vital element to the City's future vision and as such the land has been zoned as part of a mixed-use overlay district. The mixed-use overlay district was designed to encourage economic, residential and recreational development that is compatible with the existing and proposed character of the City. Most recently, a reported offer had been presented to the shareholders for the Country Club.

CITY OF LYNDHURST, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2009***

Unaudited

The City does continue to experience small bursts in new housing developments associated with the Legacy Village lifestyle center. Despite the sharp increase in sub prime mortgage delinquencies two new homes and one new commercial permit were issued in 2009 with a total estimated value of \$1.9 million dollars. Rivercreek continued development plans comprised of 33 single family and 3 duplex units all priced in the \$400,000 - \$500,000 range in which 18 of the 36 units are currently occupied and 1 unit under construction. Eagle Point Vintage Development has submitted plans for 42 free-standing cluster homes and 2 sets of 2 manor homes on 17-acres of land abutting the Acacia CC perimeter. Estimated values of these homes and manors are in the \$400,000 - \$800,000 range. It can be projected that this original plan will adjust if and when Acacia CC completes a sale. Coupled with the residential outlook, a first term opening of Lincoln Hall, a \$12 million dollar 45,000 square foot expansion to the private Hawken School facility, took place in 2007. The opening of this new facility continues to draw a new and vital cultural and knowledge based interest to Lyndhurst. Most importantly was the level of continued improvement to existing commercial developments. Nine permits were issued for commercial alterations in 2009 with an estimated \$1 million dollars in scheduled improvements and enhancements. Most recently the Cleveland Clinic has approved the addition of 125 office cubicles. This strong level of improvement confirms a long-term pattern of continued commercial dedication within the City of Lyndhurst. This commitment coupled with the engagement to new residential development will carry the City through the current wave of Federal and State economic downturns.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 440-442-5777 or writing to City of Lyndhurst Finance Department, 5301 Mayfield Road, Lyndhurst, Ohio 44124.

CITY OF LYNDHURST, OHIO

Statement of Net Assets *December 31, 2009*

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 13,157,536
Investments	1,994,818
Receivables:	
Taxes	8,838,088
Accounts	170,083
Intergovernmental	917,787
Interest	18
Special Assessments	1,034,881
Inventory of Supplies at Cost	106,882
Prepaid Items	108,467
Capital Assets:	
Capital Assets Not Being Depreciated	1,005,815
Capital Assets Being Depreciated, Net	74,038,657
Total Assets	101,373,032
Liabilities:	
Accounts Payable	1,022,357
Accrued Wages and Benefits	653,602
Retainage Payable	31,826
Unearned Revenue	4,284,111
Accrued Interest Payable	30,157
Long-Term Liabilities:	
Due Within One Year	1,845,823
Due in More Than One Year	2,613,949
Total Liabilities	10,481,825
Net Assets:	
Invested in Capital Assets, Net of Related Debt	71,688,260
Restricted For:	
Capital Projects	7,031,522
Debt Service	2,071,859
Other Purposes	4,234,157
Unrestricted	5,865,409
Total Net Assets	\$ 90,891,207

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

Statement of Activities
For the Year Ended December 31, 2009

		Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:					Governmental Activities
Current:					
Security of Persons and Property	\$ 8,710,483	\$ 738,170	\$ 3,509	\$ 60,250	\$ (7,908,554)
Public Health and Welfare Services	56,532	0	0	0	(56,532)
Leisure Time Activities	1,153,984	146,296	0	0	(1,007,688)
Community Environment	597,469	44,768	227,266	0	(325,435)
Basic Utility Services	3,957,095	200	806,972	0	(3,149,923)
Transportation	2,043,852	24,835	634,774	53,768	(1,330,475)
General Government	4,714,088	1,581,382	0	3,250	(3,129,456)
Interest and Fiscal Charges	106,831	0	0	0	(106,831)
Total Governmental Activities	\$ 21,340,334	\$ 2,535,651	\$ 1,672,521	\$ 117,268	(17,014,894)
General Revenues					
Property Taxes					4,981,835
Municipal Income Taxes					6,117,228
Other Local Taxes					128,884
Grants and Entitlements not Restricted to Specific Programs					2,861,416
Investment Earnings					65,957
Miscellaneous					115,457
Total General Revenues					14,270,777
Change in Net Assets					(2,744,117)
Net Assets Beginning of Year					93,635,324
Net Assets End of Year					\$ 90,891,207

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

Balance Sheet
Governmental Funds
December 31, 2009

	General	General Obligation Bond Retirement	Permanent Improvement	Capital Reserve
	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Capital Reserve</u>
Assets:				
Cash and Cash Equivalents	\$ 2,276,775	\$ 1,203,991	\$ 1,824,115	\$ 2,544,319
Investments	449,481	251,348	384,470	528,697
Receivables:				
Taxes	6,639,266	1,881,104	0	0
Accounts	161,484	0	4,088	0
Intergovernmental	500,233	80,994	20,250	0
Interest	0	0	0	0
Special Assessments	10,947	7,644	0	0
Inventory of Supplies, at Cost	46,953	0	0	0
Prepaid Items	108,467	0	0	0
Total Assets	<u>\$ 10,193,606</u>	<u>\$ 3,425,081</u>	<u>\$ 2,232,923</u>	<u>\$ 3,073,016</u>
Liabilities:				
Accounts Payable	\$ 136,585	\$ 0	\$ 227,498	\$ 0
Accrued Wages and Benefits Payable	413,617	0	0	0
Retainage Payable	31,826	0	0	0
Deferred Revenue	5,566,414	1,969,742	0	0
Total Liabilities	<u>6,148,442</u>	<u>1,969,742</u>	<u>227,498</u>	<u>0</u>
Fund Balances:				
Reserved for Encumbrances	119,319	0	373,430	0
Reserved for Prepaid Items	108,467	0	0	0
Reserved for Supplies Inventory	46,953	0	0	0
Undesignated/Unreserved in:				
General Fund	3,770,425	0	0	0
Special Revenue Funds	0	0	0	0
Debt Service Funds	0	1,455,339	0	0
Capital Projects Funds	0	0	1,631,995	3,073,016
Total Fund Balances	<u>4,045,164</u>	<u>1,455,339</u>	<u>2,005,425</u>	<u>3,073,016</u>
Total Liabilities and Fund Balances	<u>\$ 10,193,606</u>	<u>\$ 3,425,081</u>	<u>\$ 2,232,923</u>	<u>\$ 3,073,016</u>

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,308,336	\$ 13,157,536
380,822	1,994,818
317,718	8,838,088
4,511	170,083
316,310	917,787
18	18
1,016,290	1,034,881
59,929	106,882
0	108,467
<u>\$ 7,403,934</u>	<u>\$ 26,328,560</u>
\$ 658,274	\$ 1,022,357
239,985	653,602
0	31,826
<u>1,550,302</u>	<u>9,086,458</u>
<u>2,448,561</u>	<u>10,794,243</u>
1,401,863	1,894,612
0	108,467
59,929	106,882
0	3,770,425
2,008,803	2,008,803
0	1,455,339
<u>1,484,778</u>	<u>6,189,789</u>
<u>4,955,373</u>	<u>15,534,317</u>
<u>\$ 7,403,934</u>	<u>\$ 26,328,560</u>

CITY OF LYNDHURST, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2009***

Total Governmental Fund Balances	\$ 15,534,317
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	75,044,472
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	4,802,347
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,489,929)</u>
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 90,891,207</u></u>

See accompanying notes to the basic financial statements

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CITY OF LYNDHURST, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2009

	General	General Obligation Bond Retirement	Permanent Improvement	Capital Reserve
Revenues:				
Property Taxes	\$ 3,032,166	\$ 1,434,132	\$ 0	\$ 0
Municipal Income Tax	5,983,062	0	0	0
Other Local Taxes	0	0	66,580	0
Intergovernmental Revenues	2,586,147	221,584	63,500	0
Charges for Services	538,434	0	0	0
Licenses and Permits	28,102	0	0	0
Investment Earnings	0	7,676	10,421	8,602
Special Assessments	0	7,644	0	0
Fines and Forfeitures	1,456,384	0	0	0
All Other Revenue	196,081	0	1,290	0
Total Revenue	13,820,376	1,671,036	141,791	8,602
Expenditures:				
Current:				
Security of Persons and Property	6,892,031	0	490,562	0
Public Health and Welfare Services	56,532	0	0	0
Leisure Time Activities	678,426	0	4,100	0
Community Development	369,331	0	2,294	0
Basic Utility Services	1,171,456	0	1,300,434	0
Transportation	0	0	5,780	0
General Government	4,136,925	4,442	142,108	0
Debt Service:				
Principal Retirement	0	1,174,000	0	0
Interest & Fiscal Charges	0	99,441	0	0
Total Expenditures	13,304,701	1,277,883	1,945,278	0
Excess (Deficiency) of Revenues Over Expenditures	515,675	393,153	(1,803,487)	8,602
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	26,166	0
General Obligation Notes Issued	0	0	500,000	0
Transfers In	163,209	0	0	0
Transfers Out	(850,475)	0	(93,061)	(70,148)
Total Other Financing Sources (Uses)	(687,266)	0	433,105	(70,148)
Net Change in Fund Balances	(171,591)	393,153	(1,370,382)	(61,546)
Fund Balances at Beginning of Year	4,198,673	1,062,186	3,375,807	3,134,562
Increase (Decrease) in Inventory Reserve	18,082	0	0	0
Fund Balances End of Year	\$ 4,045,164	\$ 1,455,339	\$ 2,005,425	\$ 3,073,016

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 245,852	\$ 4,712,150
0	5,983,062
62,304	128,884
619,288	3,490,519
0	538,434
0	28,102
39,258	65,957
1,016,410	1,024,054
365,556	1,821,940
117,435	314,806
2,466,103	18,107,908
1,177,967	8,560,560
0	56,532
244,146	926,672
229,290	600,915
1,148,431	3,620,321
1,474,553	1,480,333
376,890	4,660,365
1,055	1,175,055
103	99,544
4,652,435	21,180,297
(2,186,332)	(3,072,389)
2,078	28,244
1,000,000	1,500,000
850,475	1,013,684
0	(1,013,684)
1,852,553	1,528,244
(333,779)	(1,544,145)
5,299,315	17,070,543
(10,163)	7,919
\$ 4,955,373	\$ 15,534,317

CITY OF LYNDHURST, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2009***

Net Change in Fund Balances - Total Governmental Funds \$ (1,544,145)

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 depreciation exceeded capital outlay in the current period. (888,253)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (585,294)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 460,065

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (324,945)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (7,287)

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 the governmental funds. 145,742

Change in Net Assets of Governmental Activities \$ (2,744,117)

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 2,887,740	\$ 2,887,740	\$ 3,032,166	\$ 144,426
Municipal Income Tax	5,875,000	5,875,000	5,934,815	59,815
Intergovernmental Revenue	1,926,763	1,916,983	2,320,559	403,576
Charges for Services	516,500	498,500	524,161	25,661
Licenses and Permits	6,600	6,600	28,102	21,502
Fines and Forfeitures	1,471,250	1,471,250	1,483,651	12,401
All Other Revenues	204,381	209,381	192,060	(17,321)
Total Revenues	12,888,234	12,865,454	13,515,514	650,060
Expenditures:				
Current:				
Security of Persons and Property	7,330,620	7,396,047	6,938,050	457,997
Public Health and Welfare Services	55,004	56,532	56,532	0
Leisure Time Activities	739,235	742,685	681,974	60,711
Community Environment	426,616	426,616	369,657	56,959
Basic Utility Services	1,664,374	1,664,374	1,225,813	438,561
General Government	4,924,410	4,862,005	4,125,073	736,932
Total Expenditures	15,140,259	15,148,259	13,397,099	1,751,160
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,252,025)	(2,282,805)	118,415	2,401,220
Other Financing Sources (Uses):				
Sale of Capital Assets	29,400	29,400	0	(29,400)
Transfers In	163,209	163,209	163,209	0
Transfers Out	(850,500)	(850,500)	(850,475)	25
Advances Out	(47,000)	(47,000)	0	47,000
Total Other Financing Sources (Uses):	(704,891)	(704,891)	(687,266)	17,625
Net Change In Fund Balance	(2,956,916)	(2,987,696)	(568,851)	2,418,845
Fund Balance at Beginning of Year	2,575,451	2,575,451	2,575,451	0
Prior Year Encumbrances	427,197	427,197	427,197	0
Fund Balance at End of Year	\$ 45,732	\$ 14,952	\$ 2,433,797	\$ 2,418,845

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2009***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 744,403
Total Assets	<u>\$ 744,403</u>
Liabilities:	
Intergovernmental Payable	\$ 163,628
Due to Others	580,775
Total Liabilities	<u>\$ 744,403</u>

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lyndhurst, Ohio (the City) was incorporated on January 16, 1951 and is a home rule municipal corporation created under the laws of the State of Ohio. The City operates a Mayor-Council form of government.

The accompanying basic financial statements of the City are presented as of December 31, 2009 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

A legally separate organization is a component unit of the primary government if (1) the primary government is financially accountable for the organization, (2) the nature and significance of the relationship between the primary government and the organization are such that the exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete, or (3) the organization is closely related to or financially integrated with the primary government. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: fire and police protection, emergency medical response, parks, recreation, planning, zoning, street construction and maintenance, refuse collection and other governmental services.

The City is associated with three organizations, two are defined as joint ventures and one is defined as a jointly governed organization. The joint venture organizations are the Tri-City Consortium on Aging and the South Euclid-Lyndhurst Recreation Commission. The jointly governed organization is the Northeast Ohio Public Energy Council. These organizations are presented in Notes 14 and 15 of the notes to the basic financial statements.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

The governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

General Obligation Bond Retirement Fund - This fund is used for the accumulation of resources for, and the payment of, principal and interest on general obligation debt.

Permanent Improvement Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Capital Reserve Fund - This fund is used to account for financial resources set aside by other capital projects funds to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Agency Funds - These funds are used to account for assets held by a government unit as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has two agency funds. The funds are the Municipal Court Fund, which accounts for monies that flow through the municipal court office and the Payroll Agency Fund, which accounts for monies withheld from payroll for both employee and employer taxes as well as other payroll deductions.

C. Basis of Presentation – Financial Statements

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 activities. The City has no activities considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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 LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. 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 of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of 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 business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

D. Basis of Accounting

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

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

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the period in which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, is recorded as revenue when received in cash because it is generally not measurable until received.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent periods when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Property taxes which are measurable at December 31, 2009, but which are not intended to finance 2009 operations or are recorded as deferred revenue as further described in Note 4.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year. All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only the General Fund is required to be reported. Budgetary modifications above the major object level by fund may only be made by ordinance of the City Council.

1. Tax Budget

The Mayor submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2009.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level, and may be modified during the year by ordinance of the City Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—General Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budgetary basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2009***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. 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 subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

<u>Net Change In Fund Balance</u>	
	<u>General Fund</u>
GAAP Basis (as reported)	(\$171,591)
Increase (Decrease):	
Accrued Revenues at December 31, 2009 received during 2010	(1,745,516)
Accrued Revenues at December 31, 2008 received during 2009	1,413,387
Accrued Expenditures at December 31, 2009 paid during 2010	582,028
Accrued Expenditures at December 31, 2008 paid during 2009	(492,418)
2008 Prepays for 2009	119,353
2009 Prepays for 2010	(108,467)
2008 Municipal Court Cash	126,832
2009 Municipal Court Cash	(99,565)
Outstanding Encumbrances	(192,894)
Budgetary Basis	<u>(\$568,851)</u>

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio) and short-term certificates of deposit. The certificates of deposit are considered cash equivalents because they are highly liquid investments with original maturity dates of three months or less.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and cash equivalents represents the balance on hand as if each fund maintained its own cash and cash equivalent account. See Note 3, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. The City allocates interest among the various funds based upon applicable legal and administrative requirements. See Note 3, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2009.

H. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds. The cost of inventory items are recorded as expenditures in the governmental funds when purchased.

I. 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. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2009***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

1. Property, Plant and Equipment - Governmental Activities

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000.

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

2. Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Buildings	15 - 50
Improvements other than Buildings	25
Infrastructure	10 - 65
Machinery, Equipment, Furniture and Fixtures	5 - 10

K. Long-Term Debt

Long-term debt is being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Bond Retirement Fund
Special Assessment Bonds	General Obligation Bond Retirement Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund
Long-Term Note	General Obligation Bond Retirement Fund
Capital Lease	Community Center Fund

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

For governmental funds, that portion of unpaid compensated absences that has matured and is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

M. 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 borrowings used for the acquisition, construction of improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Pensions

The provision for pension cost is recorded when the related payroll is accrued and the obligation is incurred.

CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2009***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Activity

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for supplies inventory, prepaid items and encumbered amounts that have not been accrued at year end.

Q. Estimates

The preparation of 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.

R. 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 Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

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CITY OF LYNDHURST, OHIO

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009*

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets of governmental funds as reported in the government-wide statement of net assets. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Other long-term assets not available to pay for current-period expenditures:

Delinquent Income Tax Revenue	\$1,018,729
Delinquent Property Tax Revenue	1,833,526
Unrestricted Grants and Entitlements	825,435
Charges for Services	89,776
Special Assessment Revenue	1,034,881
	<u>\$4,802,347</u>

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$1,855,000)
Capital Leases Payable	(1,212)
Accrued Interest on Long-Term Debt	(30,157)
Long-Term Notes Payable	(1,500,000)
Compensated Absences Payable	(1,103,560)
	<u>(\$4,489,929)</u>

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CITY OF LYNDHURST, OHIO

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009*

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amount by which depreciation exceeded capital outlay in the current period:

Capital Outlay	\$2,696,274
Depreciation Expense	<u>(3,584,527)</u>
	(\$888,253)

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$134,166
Increase in Delinquent Property Tax	269,685
Increase in Unrestricted Grants and Entitlements	52,430
Decrease in Charges for Services	(11,127)
Increase in Special Assessment Revenue	<u>14,911</u>
	\$460,065

Expenses not requiring the use of current financial resources:

Decrease in Compensated Absences Payable	\$137,823
Increase in supplies inventory	<u>7,919</u>
	\$145,742

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CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

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

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 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;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

CITY OF LYNDHURST, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2009**

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$4,077,170 and the bank balance was \$4,121,109. Federal depository insurance covered \$1,204,432 of the bank balance and \$2,916,677 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and uncollateralized	\$2,916,677
Total Balance	\$2,916,677

B. Investments

The City's investments at December 31, 2009 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years) less than 1
Repurchase Agreements	\$70,704	AAA ¹ / Aaa ²	\$70,704
STAR Ohio	11,748,883	AAAm ¹	11,748,883
Total Investments	\$11,819,587		\$11,819,587

¹Standard & Poor's

² Moody's Investor Service

CITY OF LYNDHURST, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2009**

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

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

Credit Risk – The City’s investment policy addresses credit risk by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers, intermediaries and financial advisors and by diversifying the investment portfolio so that potential losses on individual securities do not exceed income generated from the remaining portfolio.

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 investment or collateral securities that are in the possession of an outside party. Of the City’s investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the City.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$13,901,939	\$1,994,818
Certificates of Deposit		
(with maturities of more than 3 months)	1,924,114	(1,924,114)
STAR Ohio	(11,748,883)	11,748,883
Per GASB Statement No. 3	<u>\$4,077,170</u>	<u>\$11,819,587</u>

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2009 were levied after October 1, 2008 on assessed values as of January 1, 2008, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last revaluation was completed in 2006. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

Tangible personal property tax revenues received in 2009 (other than public utility property) represent the collection of 2009 taxes. Tangible personal property taxes received in 2009 were levied after October 1, 2008, on the true value as of January 1, 2008. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out. The assessment percentage for property, including inventory is 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill NO.66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business railroad property was eliminated for calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100% of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Lyndhurst. The County Auditor periodically remits to the City its portion of the taxes collected.

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 4 – TAXES (Continued)

A. Property Taxes (Continued)

The full tax rate for all City operations for the year ended December 31, 2009 was \$11.50 per \$1,000 of assessed value. The assessed value upon which the 2009 levy was based was \$460,295,840. This amount constitutes \$455,786,200 in real property assessed value and \$4,509,640 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 1.15% (11.5 mills) of assessed value.

B. Income Tax

The City levies a tax of 1.5% on substantially all income earned within the City. In addition, residents of the City are required to pay City income tax on income they earn outside the City. However, the City allows a credit of a maximum of 50% of the first one and one-half percent of income tax paid to another municipality.

Employers within the City are required to withhold income tax on employees compensation and remit the tax either monthly or quarterly, as required, to the Regional Income Tax Agency which serves as the City's agent for collection of their income tax. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. All income tax proceeds are received by the General Fund.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2009 consisted of taxes, special assessments, interest, accounts receivable and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectible in full.

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CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2009***

NOTE 6 - TRANSFERS

The following is a summary of transfers in and out for all funds for 2009:

Transfers Out:	Transfers In:		
	General Fund	Other Governmental Funds	Total
General Fund	\$0	\$850,475	\$850,475
Permanent Improvement Fund	93,061	0	93,061
Capital Reserve Fund	70,148	0	70,148
	<u>\$163,209</u>	<u>\$850,475</u>	<u>\$1,013,684</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

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CITY OF LYNDHURST, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2009**

NOTE 7 – CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2009:

Historical Cost:

Class	December 31, 2008	Additions	Deletions	December 31, 2009
<i>Capital assets not being depreciated:</i>				
Land	\$394,193	\$0	\$0	\$394,193
Construction in Progress	183,190	611,622	(183,190)	611,622
Subtotal	<u>577,383</u>	<u>611,622</u>	<u>(183,190)</u>	<u>1,005,815</u>
<i>Capital assets being depreciated:</i>				
Buildings	9,742,784	0	0	9,742,784
Improvements Other than Buildings	2,502,932	0	0	2,502,932
Machinery and Equipment	8,088,781	1,063,914	(435,392)	8,717,303
Infrastructure	111,656,517	1,203,928	(691,944)	112,168,501
Subtotal	<u>131,991,014</u>	<u>2,267,842</u>	<u>(1,127,336)</u>	<u>133,131,520</u>
Total Cost	<u>\$132,568,397</u>	<u>\$2,879,464</u>	<u>(\$1,310,526)</u>	<u>\$134,137,335</u>

Accumulated Depreciation:

Class	December 31, 2008	Additions	Deletions	December 31, 2009
Buildings	(\$3,248,378)	(\$194,534)	\$0	(\$3,442,912)
Improvements Other than Buildings	(1,394,892)	(101,743)	0	(1,496,635)
Machinery and Equipment	(5,555,338)	(672,873)	25,097	(6,203,114)
Infrastructure	(45,851,770)	(2,615,377)	516,945	(47,950,202)
Total Depreciation	<u>(\$56,050,378)</u>	<u>(\$3,584,527) *</u>	<u>\$542,042</u>	<u>(\$59,092,863)</u>
<i>Net Value:</i>	<u>\$76,518,019</u>			<u>\$75,044,472</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$253,351
Leisure Time Activities	212,102
Community Development	4,881
Basic Utility Services	1,477,699
Transportation	1,386,045
General Government	<u>250,449</u>
Total Depreciation Expense	<u>\$3,584,527</u>

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 8 – DEFINED BENEFIT PENSION PLANS

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

A. Ohio Public Employees Retirement System ("OPERS")

The following information was provided by OPERS to assist the City in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers."

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2009, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2009 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2009, from January 1 through March 31, 2009 7.0% of annual covered salary was the portion used to fund pension obligations, and from April 1 through December 31, 2009 5.5% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2009, 2008, and 2007 were \$556,145, \$510,124 and \$593,989, respectively, which were equal to the required contributions for each year.

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (“OP&F”)

All City full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2009, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2009, 2008, and 2007 were \$453,545, \$452,303 and \$444,099 for police and \$479,004, \$455,435 and \$435,218 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member 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 10 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 is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC 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 ORC.

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage 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. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2009, the employer contribution allocated to the health care plan was 7.0% of covered payroll from January 1 through March 31, 2009 and 5.5% 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 benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2009, 2008, and 2007 were \$322,763, \$255,062 and \$235,880, respectively, which were equal to the required contributions for each year.

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 (“OP&F”)

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund (“OP&F”) (Continued)

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2009, 2008, and 2007 were \$156,996, \$156,566 and \$153,727 for police and \$134,720, \$128,091 and \$122,405 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF LYNDHURST, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2009**

NOTE 10 – COMPENSATED ABSENCES

The costs of vacation and sick leave benefits are recorded as they are earned. Employees earn sick and vacation leave at varying rates based upon length of service. Upon retirement, and in certain instances, termination, an individual will be compensated for their accumulated sick leave at a maximum rate of 45% of the balance.

At December 31, 2009, the City's accumulated, unpaid compensated absences amounted to \$1,103,560, which is recorded as a liability of the Governmental Activities.

NOTE 11 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2009 was as follows:

		Balance December 31, 2008	Issued	(Retired)	Balance December 31, 2009	Due Within One Year
Governmental Activities:						
General Obligation Bonds:						
2.000% Recreational Facilities	2003	\$2,025,000	\$0	(\$170,000)	\$1,855,000	\$175,000
Total General Obligation Bonds		2,025,000	0	(170,000)	1,855,000	175,000
Special Assessment Bonds:						
8.000% Portage Commodore	1989	4,000	0	(4,000)	0	0
Total Special Assessment Bonds with Governmental Commitment		4,000	0	(4,000)	0	0
Long-Term Notes:						
2.000% Street Improvement	2008	1,000,000	0	(1,000,000)	0	0
2.000% Permanent Improvement	2009	0	500,000	0	500,000	0
2.000% Street Improvement	2009	0	1,000,000	0	1,000,000	1,500,000
Total Long-Term Notes		1,000,000	1,500,000	(1,000,000)	1,500,000	1,500,000
Compensated Absences		1,241,383	1,103,560	(1,241,383)	1,103,560	169,705
Capital Leases		2,267	0	(1,055)	1,212	1,118
Total Governmental Activities		<u>\$4,272,650</u>	<u>\$2,603,560</u>	<u>(\$2,416,438)</u>	<u>\$4,459,772</u>	<u>\$1,845,823</u>

Special assessment debt service is financed by assessments to affected property owners. However, the City is ultimately responsible for the debt service if the assessments are not collected. Delinquent special assessments related to outstanding special assessment bonded debt at year-end were \$42,231.

CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2009***

NOTE 11 - LONG-TERM DEBT (Continued)

The City's future long-term obligation funding requirements, including principal and interest payments as of December 31, 2009, follow:

Years	General Obligation Bonds	
	Principal	Interest
2010	\$175,000	\$74,878
2011	185,000	68,752
2012	190,000	61,722
2013	195,000	54,408
2014	205,000	46,706
2015-2018	905,000	99,206
Totals	<u>\$1,855,000</u>	<u>\$405,672</u>

NOTE 12 – CAPITAL LEASES

The City has entered into an agreement to lease equipment. The original cost of the equipment was \$5,043. Such agreements are, in substance, lease purchases (capital leases) and are classified as long-term obligations in the financial statements. The costs of these assets are included in the capital asset balances of the Governmental. The capital leases payable are recorded in Governmental Activities in the amount of \$1,212.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2009:

Year Ending December 31,	Governmental Activities
2010	\$1,158
2011	97
Minimum Lease Payments	1,255
Less: amount representing interest at the City's incremental borrowing rate of interest	(43)
Present value of minimum lease payments	<u>\$1,212</u>

CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2009***

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During 2009 the City contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
USSIC	Property	\$1,000
USSIC	Inland Marine	\$500
USSIC	Crime	\$500
USSIC	General Liability	\$0
USSIC	Public Officials	\$10,000
USSIC	Employee Practices	\$0
USSIC	Law Enforcement	\$10,000
USSIC	Auto Liability	\$0
USSIC	Auto Physical Damage	\$250 Comprehensive; \$1,000 Collision
USSIC	Umbrella	\$10,000
USSIC	Boiler	\$1,000
USSIC	EDP	\$500

Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years. There has been no significant reduction in insurance coverages from coverages in the prior year.

Workers' compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

NOTE 14 – JOINT VENTURES

A. Tri-City Consortium on Aging:

The Tri-City Consortium on Aging (Consortium) is a joint venture among the Cities of South Euclid, Lyndhurst and Highland Heights, formed for the purpose of coordinating among the Cities all matters related to assistance and programs for the aged. Consortium revenues consist of contributions from the member Cities and federal grants. The Consortium is controlled by the Council of Governments composed of the Mayors of the Cities of South Euclid, Lyndhurst and Highland Heights, with the advice of a nine member commission. Continued existence of the Consortium is dependent on the City. However, the City of Lyndhurst has no explicit and measurable equity in the Consortium. The Consortium is not accumulating financial resources or experiencing fiscal stress, which would cause additional financial benefit or burden on the City. In 2009, the City contributed \$169,846. To obtain a copy of the Consortium's financial statements, write to the Tri-City Consortium on Aging, 1370 Victory Drive, South Euclid, Ohio 44121.

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 14 – JOINT VENTURES (Continued)

B. South Euclid-Lyndhurst Recreation Commission:

The South Euclid-Lyndhurst Recreation Commission (SELREC) is a joint venture that is jointly owned and operated by the Cities of South Euclid and Lyndhurst and the South Euclid-Lyndhurst City School District for the purpose of operating the Cities and School District's play fields and indoor recreation centers. Each of these governments supports SELREC through funds that are appropriated in their budgets and each shares in the equity of SELREC.

The operation of the SELREC is controlled by a nine member board consisting of the following: one member appointed by the Mayor of the City of South Euclid and one member appointed by the Mayor of the City of Lyndhurst, three members that are residents of the City of South Euclid, three members that are residents of the City of Lyndhurst and one member that is a resident of the South Euclid-Lyndhurst City School District and that lives in either the City of South Euclid or the City of Lyndhurst (jointly appointed by the Mayors of the City of South Euclid and Lyndhurst). The City has an ongoing financial responsibility because the continued existence of the joint venture depends on the City's continued participation. SELREC is not accumulating significant financial resources or experiencing fiscal stress, which would cause additional benefit or burden on the City. The City also has measurable equity interest in SELREC because the joint venture agreement stipulates that the participants have a claim to assets and sets forth the method of distribution upon dissolution of the joint venture. SELREC has no capital assets. SELREC is audited on a two-year basis; the latest reported is for the fiscal year ended June 30, 2009. Financial statements can be obtained by contacting the fiscal agent, South Euclid-Lyndhurst City School District, 6044 Mayfield Road, Lyndhurst, Ohio 44124.

NOTE 15 – JOINTLY GOVERNED ORGANIZATION

Northeast Ohio Public Energy Council:

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of over 112 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Lyndhurst did not contribute to NOPEC during 2008. Financial information can be obtained by contacting Joseph Migliorini, the Board Chairman, at 175 South Main Street, Akron, Ohio 44308 or at the website www.nopecinfo.org.

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

NOTE 16 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

NOTE 17 – SUBSEQUENT EVENTS

On March 9, 2010 the City issued \$1,000,000 in one year General Obligation Notes to pay for Street Improvements. The notes had an interest rate of .08%.

NOTE 18 – 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”, and GASB Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards”.

GASB Statement No. 52 establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. The City has no endowments and thus, the implementation of this Statement has no impact on the City’s financial statements or disclosures.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB’s authoritative literature. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accounts (AICPA) auditing literature into the GASB’s accounting and financial reporting literature for state and local governments – related party transactions, going concern considerations and subsequent events. The implementation of this statement did not result in any changes to the financial statements.

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the City Council
Lyndhurst, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lyndhurst, 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 11, 2010, wherein we noted the City adopted *GASB Statement Nos. 52, 55 and 56*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2009-001.

Members of the City Council
Lyndhurst, Ohio

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City, in a separate letter dated June 11, 2010.

The City's response to the finding identified in the audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and the Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

Cimini & Panichi, Inc.

Cleveland, Ohio
June 11, 2010

City of Lyndhurst

Schedule of Findings

December 31, 2009

1. Summary of Auditors' Results

Type of Financial Statement Opinion	Unqualified
Were there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
Was there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
Was there any material noncompliance reported at the financial statement level (GAGAS)?	No

2. Findings Related To The Financial Statements Required To Be Reported In Accordance With GAGAS

2009-001 – Material Weakness

Sound financial reporting is the responsibility of the City Finance Director and the City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The following audit adjustments were made to the financial statements:

1. Adjusted accounts payable to actual.
2. Adjusted estate tax to actual.

The lack of controls over financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.

We recommend the City adopts policies and procedures for controls over year-end financial reporting to help ensure the information accurately reflects the activity of the City thereby increasing the reliability of the financial data at year-end. The City's management needs to review the statements to be sure that all items are being properly recorded.

3. Other Findings

None.

City of Lyndhurst

5301 Mayfield Road
Lyndhurst, Ohio 44124
(440) 442-5777

Response to Findings Associated With
Audit Conducted In Accordance With
Government Auditing Standards
For The Year Ended December 31, 2009

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2009-001	Checklists and templates are tools used as part of end of the year procedures. These templates are completed by the A/R and A/P staff, checked for reasonableness against prior years, and further checked against hard copy data for errors or omissions. These templates are then emailed to the Finance Director for her final review before forwarding them to the GAAP conversion team. The City will incorporate a review of these items through the fieldwork end date to ensure all receivables and payables are included in the GAAP conversion workpapers.	N/A	Mary Kovalchik, Finance Director



Mary Taylor, CPA
Auditor of State

CITY OF LYNDHURST

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
JUNE 29, 2010