

**CITY OF STRONGSVILLE, OHIO**

**SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2000**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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

We have reviewed the Independent Auditor's Report of the City of Strongsville, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2000 to December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

**JIM PETRO**  
Auditor of State

July 27, 2001

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CITY OF STRONGSVILLE, OHIO  
 GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2000

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**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
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*Garfield Hts., Ohio 44125*

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**INDEPENDENT ACCOUNTANT'S REPORT**

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

We have audited the accompanying general purpose financial statements of the City of Strongsville, Ohio, as of and for the year ended December 31, 2000. These general purpose financial statements are the responsibility of the City of Strongsville, Ohio's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Strongsville, Ohio, as of December 31, 2000, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 8 to the financial statements, the City made a correction of an error in capitalizing storm lines to conform with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated June 15, 2001 on our consideration of the City of Strongsville, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

June 15, 2001

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James G. Zupka  
Certified Public Accountant

CITY OF STRONGSVILLE, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2000  
 (with comparative totals for December 31, 1999)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
<b>Assets and Other Debits</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 2,558,825	\$ 3,972,288	\$ 429,592	\$ 682,112	\$ 4,280,731	\$ 84,347
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	0	0
Receivables:						
Taxes	3,459,871	3,874,574	2,639,129	578,745	0	0
Accounts	149,809	29,700	0	0	2,045,112	0
Special Assessments	0	0	4,281,303	0	0	0
Due from Other Governments	21,616	65,075	0	588,669	0	0
Due from Other Funds	0	47,891	3,053,904	207,273	0	78,564
Inventory	42,635	297,780	0	0	0	104,258
Prepaid Items	130,729	1,415	0	0	100	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0	78,521,842	0
Other Debits						
Amount Available in Debt Service Funds	0	0	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$ 6,363,485</b>	<b>\$ 8,288,723</b>	<b>\$ 10,403,928</b>	<b>\$ 2,056,799</b>	<b>\$ 84,847,785</b>	<b>\$ 267,169</b>

See accompanying notes to the general purpose financial statements.



CITY OF STRONGSVILLE, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2000  
 (with comparative totals for December 31, 1999)  
 (CONTINUED)

	Fiduciary <u>Fund Types</u> Trust and Agency	<u>Account Groups</u>		Totals (Memorandum Only)	
		General Fixed Assets	General Long-Term Obligations	2000	1999 (Restated)
<b><u>Assets and Other Debits</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,414,110	\$ 0	\$ 0	\$ 13,422,005	\$ 13,261,057
Cash and Cash Equivalents in Segregated Accounts	56,873	0	0	56,873	71,513
Receivables:					
Taxes	0	0	0	10,552,319	8,756,480
Accounts	0	0	0	2,224,621	2,099,503
Special Assessments	0	0	0	4,281,303	4,531,011
Due from Other Governments	0	0	0	675,360	299,111
Due from Other Funds	0	0	0	3,387,632	3,338,089
Inventory	0	0	0	444,673	463,735
Prepaid Items	0	0	0	132,244	110,496
Fixed Assets (Net of Accumulated Depreciation)	0	33,121,028	0	111,642,870	105,240,188
Other Debits					
Amount Available in Debt Service Fund	0	0	3,470,276	3,470,276	3,505,550
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	26,113,242	26,113,242	24,842,160
<b>Total Assets and Other Debits</b>	<b>\$ 1,470,983</b>	<b>\$33,121,028</b>	<b>\$29,583,518</b>	<b>\$176,403,418</b>	<b>\$166,518,893</b>

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2000  
 (with comparative totals for December 31, 1999)  
 (CONTINUED)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
<b>Liabilities, Fund Equity, and Other Credits</b>						
<u>Liabilities</u>						
Accounts Payable	\$ 158,116	\$ 836,756	\$ 0	\$ 1,604	\$ 170,989	\$ 167,575
Contracts Payable	112,662	14,553	0	224,580	654,985	1,935
Accrued Wages and Benefits	217,753	274,636	0	0	19,278	12,836
Retirement Incentive	48,123	161,902	0	0	180,489	54,912
Funds Held on Deposit	0	0	0	0	0	0
Due to Other Governments	155,457	606,104	0	0	20,352	11,244
Due to Other Funds	73,110	247,377	13,220	1,720,000	1,333,925	0
Deferred Revenue	656,263	3,517,621	6,920,432	578,745	0	0
General Obligation Notes Payable	0	0	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	2,100,000	0
Special Assessment Bonds Payable with Governmental Commitment	0	0	0	0	0	0
Ohio Water Development Authority Bonds Payable	0	0	0	0	5,041,987	0
Ohio Public Works Commission	0	0	0	0	212,590	0
Compensated Absences	107,113	40,070	0	0	60,915	10,524
Police and Fire Pension Accrued Liability	0	0	0	0	0	0
<b>Total Liabilities</b>	<u>1,528,597</u>	<u>5,699,019</u>	<u>6,933,652</u>	<u>2,524,929</u>	<u>9,795,510</u>	<u>259,026</u>
<u>Fund Equity and Other Credits</u>						
Investment in General Fixed Assets	0	0	0	0	0	0
Contributed Capital	0	0	0	0	71,414,155	0
Retained Earnings						
Unreserved	0	0	0	0	3,638,120	8,143
Fund Balances:						
Reserved for Inventory	42,635	297,780	0	0	0	0
Reserved for Prepaid Items	130,729	1,415	0	0	0	0
Reserved for Encumbrances	24,891	50,722	0	900	0	0
Reserved for Debt Service	0	0	3,470,276	0	0	0
Unreserved, Undesignated	4,636,633	2,239,787	0	(469,030)	0	0
<b>Total Fund Equity and Other Credits</b>	<u>4,834,888</u>	<u>2,589,704</u>	<u>3,470,276</u>	<u>(468,130)</u>	<u>75,052,275</u>	<u>8,143</u>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<u>\$ 6,363,485</u>	<u>\$ 8,288,723</u>	<u>\$ 10,403,928</u>	<u>\$ 2,056,799</u>	<u>\$ 84,847,785</u>	<u>\$ 267,169</u>

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2000  
 (with comparative totals for December 31, 1999)  
 (CONTINUED)

	Fiduciary Fund Types Trust and Agency	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long-Term Obligations	2000	1999(Restated)
<b>Liabilities, Fund Equity, and Other Credits</b>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 1,335,040	\$ 1,013,878
Contracts Payable	0	0	0	1,008,715	613,442
Accrued Wages and Benefits	0	0	0	524,503	458,417
Retirement Incentive	0	0	1,500,523	1,945,949	0
Funds Held on Deposit	1,367,888	0	0	1,367,888	1,503,326
Due to Other Governments	44,234	0	0	837,391	754,338
Due to Other Funds	0	0	0	3,387,632	3,338,089
Deferred Revenue	0	0	0	11,673,061	11,114,649
General Obligation Notes Payable	0	0	3,750,000	3,750,000	3,300,000
General Obligation Bonds Payable	0	0	20,075,000	22,175,000	23,105,000
Special Assessment Bonds Payable with Governmental Commitment	0	0	2,310,000	2,310,000	2,410,000
Ohio Water Development Authority Bonds Payable	0	0	0	5,041,987	5,320,842
Ohio Public Works Commission	0	0	303,526	516,116	549,450
Compensated Absences	0	0	1,562,267	1,780,889	1,452,783
Police and Fire Pension Accrued Liability	0	0	82,202	82,202	83,240
<b>Total Liabilities</b>	<u>1,412,122</u>	<u>0</u>	<u>29,583,518</u>	<u>57,736,373</u>	<u>55,017,454</u>
<u>Fund Equity and Other Credits</u>					
Investment in General Fixed Assets	0	33,121,028	0	33,121,028	26,319,883
Contributed Capital	0	0	0	71,414,155	71,611,137
Retained Earnings:					
Unreserved	0	0	0	3,646,263	2,681,263
Fund Balances:					
Reserved for Inventory	0	0	0	340,415	314,713
Reserved for Prepaid Items	0	0	0	132,144	110,496
Reserved for Encumbrances	0	0	0	76,513	2,429,669
Reserved for Debt Service	0	0	0	3,470,276	3,505,550
Unreserved, Undesignated	58,861	0	0	6,466,251	4,528,728
<b>Total Fund Equity and Other Credits</b>	<u>58,861</u>	<u>33,121,028</u>	<u>0</u>	<u>118,667,045</u>	<u>111,501,439</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$ 1,470,983</u>	<u>\$33,121,028</u>	<u>\$29,583,518</u>	<u>\$176,403,418</u>	<u>\$166,518,893</u>

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2000  
 (with comparative totals for the year ended December 31, 1999)

	Governmental Fund Types				Fiduciary	Totals	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only) 2000	1999
<b>Revenues</b>							
Taxes	\$7,283,732	\$ 5,982,512	\$ 2,043,157	\$ 567,544	\$ 0	\$25,876,945	\$21,458,254
Intergovernmental	1,877,066	1,323,509	0	588,669	0	3,789,244	7,255,924
Special Assessments	0	0	278,586	0	0	278,586	253,249
Charges for Services	147,971	2,940,619	0	253,228	0	3,341,818	3,322,781
Fines, Licenses, and Permits	1,626,115	39,589	0	94,600	0	1,760,304	1,755,735
Interest	961,171	0	0	0	0	961,171	575,865
Miscellaneous	185,176	61,552	0	2,242,452	0	2,489,180	366,281
<b>Total Revenues</b>	<b>22,081,231</b>	<b>10,347,781</b>	<b>2,321,743</b>	<b>3,746,493</b>	<b>0</b>	<b>38,497,248</b>	<b>34,988,089</b>
<b>Expenditures</b>							
Current:							
Public Safety	5,892,986	6,059,046	0	0	0	11,952,032	10,676,257
Public Health and Welfare	716,094	505,234	0	0	0	1,221,328	1,094,498
Leisure Time Activities	381,396	3,540,381	0	0	0	3,921,777	3,828,070
Community Development	1,214,080	0	0	0	0	1,214,080	1,425,478
Sanitation	2,011,204	1,846	0	0	0	2,013,050	1,469,469
Transportation	0	6,113,147	0	0	0	6,113,147	6,616,437
General Government	3,214,225	0	0	0	7,073	3,221,298	2,972,720
Capital Outlay	0	0	0	7,158,658	0	7,158,658	2,745,124
Debt Service:							
Principal Retirement	0	14,321	4,750,000	4,840	0	4,769,161	3,008,866
Interest and Fiscal Charges	0	0	1,507,017	0	0	1,507,017	1,501,632
<b>Total Expenditures</b>	<b>13,429,985</b>	<b>16,233,975</b>	<b>6,257,017</b>	<b>7,163,498</b>	<b>7,073</b>	<b>43,091,548</b>	<b>35,338,551</b>
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	8,651,246	(5,886,194)	(3,935,274)	(3,417,005)	(7,073)	(4,594,300)	(350,462)
<b>Other Financing Sources (Uses)</b>							
Sale of Fixed Assets	41	0	0	0	0	41	22,483
Proceeds from Sale of Notes	0	0	3,750,000	450,000	0	4,200,000	3,300,000
Proceeds from Sale of OPWC Loan	0	0	0	0	0	0	11,817
Transfers In	0	6,447,000	150,000	1,000,000	0	7,597,000	7,477,750
Transfers Out	(7,482,000)	(150,000)	0	0	0	(7,632,000)	(7,479,150)
<b>Total Other Financing Sources (Uses)</b>	<b>(7,481,959)</b>	<b>6,297,000</b>	<b>3,900,000</b>	<b>1,450,000</b>	<b>0</b>	<b>4,165,041</b>	<b>3,332,900</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses							
Financing Uses	1,169,287	410,806	(35,274)	(1,967,005)	(7,073)	(429,259)	2,982,438
Fund Balances (Deficit) at							
Beginning of Year	3,659,860	2,158,937	3,505,550	1,498,875	65,934	10,889,156	7,897,621
Increase (Decrease) in Reserve for Inventory	5,741	19,961	0	0	0	25,702	9,097
<b>Fund Balances at End of Year</b>	<b>\$ 4,834,888</b>	<b>\$ 2,589,704</b>	<b>\$ 3,470,276</b>	<b>\$ (468,130)</b>	<b>\$58,861</b>	<b>\$10,485,599</b>	<b>\$10,889,156</b>

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - (NON-GAAP BASIS) - BUDGET AND ACTUAL  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance- Favorable (Unfavorable)	Revised Budget	Actual	Variance- Favorable (Unfavorable)
<b>Revenues</b>						
Taxes	\$ 16,205,990	\$ 16,205,990	\$ 0	\$ 5,833,859	\$ 5,833,859	\$ 0
Intergovernmental	2,241,415	2,241,415	0	1,410,257	1,410,257	0
Special Assessments	0	0	0	0	0	0
Charges for Services	156,571	156,571	0	2,958,336	2,958,336	0
Fines, License, and Permits	1,611,159	1,611,159	0	40,022	40,022	0
Interest	940,257	940,257	0	0	0	0
Miscellaneous	103,861	103,861	0	46,694	46,694	0
<b>Total Revenues</b>	<b>21,259,253</b>	<b>21,259,253</b>	<b>0</b>	<b>10,289,168</b>	<b>10,289,168</b>	<b>0</b>
<b>Expenditures</b>						
Current:						
Public Safety	6,035,594	5,812,106	223,488	6,131,786	5,585,855	545,931
Public Health and Welfare	773,000	741,706	31,294	460,000	412,286	47,714
Leisure Time Activities	451,925	388,567	63,358	3,561,570	3,413,214	148,356
Community Development	1,248,442	1,223,116	25,326	8,000	0	8,000
Sanitation	2,200,000	2,014,751	185,249	2,100	1,846	254
Transportation	0	0	0	7,326,660	5,888,100	1,438,560
General Government	3,703,796	3,045,300	658,496	0	0	0
Capital Outlay	0	0	0	50,770	39,094	11,676
Debt Service						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>14,412,757</b>	<b>13,225,546</b>	<b>1,187,211</b>	<b>17,540,886</b>	<b>15,340,395</b>	<b>2,200,491</b>
Excess (Deficiency) of Revenues Over(Under) Expenditures	6,846,496	8,033,707	1,187,211	(7,251,718)	(5,051,227)	2,200,491
<b>Other Financing Sources (Uses)</b>						
Sale of Fixed Assets	41	41	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Transfers In	0	0	0	6,447,000	6,447,000	0
Transfers Out	(7,676,500)	(7,482,000)	194,500	(150,000)	(150,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(7,676,459)</b>	<b>(7,481,959)</b>	<b>194,500</b>	<b>6,297,000</b>	<b>6,297,000</b>	<b>0</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)Expenditures and Other Financing Uses	(829,963)	551,748	1,381,711	(954,718)	1,245,773	2,200,491
Fund Balance at Beginning of Year	1,937,961	1,937,961	0	2,293,575	2,293,575	0
Prior Year Encumbrances Appropriated	98,557	98,557	0	374,785	374,785	0
<b>Fund Balances at End of Year</b>	<b>\$ 1,206,555</b>	<b>\$ 2,588,266</b>	<b>\$ 1,381,711</b>	<b>\$ 1,713,642</b>	<b>\$ 3,914,133</b>	<b>\$ 2,200,491</b>

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - (NON-GAAP BASIS) - BUDGET AND ACTUAL  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000  
 (CONTINUED)

	Debt Service			Capital Projects		
	Revised Budget	Actual	Variance- Favorable (Unfavorable)	Revised Budget	Actual	Variance- Favorable (Unfavorable)
<b>Revenues</b>						
Taxes	\$ 2,043,157	\$ 2,043,157	\$ 0	\$ 567,544	\$ 567,544	\$ 0
Intergovernmental	0	0	0	0	0	0
Special Assessments	278,586	278,586	0	0	0	0
Charges for Services	0	0	0	310,534	310,534	0
Fines, Licenses, and Permits	0	0	0	94,600	94,600	0
Interest	0	0	0	0	0	0
Miscellaneous	0	0	0	2,242,452	2,242,452	0
<b>Total Revenues</b>	<u>2,321,743</u>	<u>2,321,743</u>	<u>0</u>	<u>3,215,130</u>	<u>3,215,130</u>	<u>0</u>
<b>Expenditures</b>						
Current:						
Public Safety	0	0	0	0	0	0
Public Health and Welfare	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Development	0	0	0	0	0	0
Sanitation	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Capital Outlay	0	0	0	10,229,579	7,445,972	2,783,607
Debt Service:						
Principal Retirement	4,780,455	4,780,000	455	0	0	0
Interest and Fiscal Charges	1,574,545	1,557,461	17,084	0	0	0
<b>Total Expenditures</b>	<u>6,355,000</u>	<u>6,337,461</u>	<u>17,539</u>	<u>10,229,579</u>	<u>7,445,972</u>	<u>2,783,607</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,033,257)</u>	<u>(4,015,718)</u>	<u>17,539</u>	<u>(7,014,449)</u>	<u>(4,230,842)</u>	<u>2,783,607</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Fixed Assets	0	0	0	0	0	0
Proceeds from Sale of Notes	3,750,000	3,750,000	0	450,000	450,000	0
Transfers In	150,000	150,000	0	1,000,000	1,000,000	0
Transfers Out	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>3,900,000</u>	<u>3,900,000</u>	<u>0</u>	<u>1,450,000</u>	<u>1,450,000</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(133,257)</u>	<u>(115,718)</u>	<u>17,539</u>	<u>(5,564,449)</u>	<u>(2,780,842)</u>	<u>2,783,607</u>
Fund Balances at Beginning of Year	545,310	545,310	0	971,900	971,900	0
Prior Year Encumbrances Appropriated	0	0	0	2,489,579	2,489,579	0
<b>Fund Balances at End of Year</b>	<u>\$ 412,053</u>	<u>\$ 429,592</u>	<u>\$ 17,539</u>	<u>\$ (2,102,970)</u>	<u>\$ 680,637</u>	<u>\$ 2,783,607</u>

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - (NON-GAAP BASIS) - BUDGET AND ACTUAL  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000  
 (CONTINUED)

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance- Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$24,650,550	\$24,650,550	\$ 0
Intergovernmental	3,651,672	3,651,672	0
Special Assessments	278,586	278,586	0
Charges for Services	3,425,441	3,425,441	0
Fines, Licenses, and Permits	1,745,781	1,745,781	0
Interest	940,257	940,257	0
Miscellaneous	2,393,007	2,393,007	0
<b>Total Revenues</b>	<u>37,085,294</u>	<u>37,085,294</u>	<u>0</u>
<b>Expenditures</b>			
Current:			
Public Safety	12,167,380	11,397,961	769,419
Public Health and Welfare	1,233,000	1,153,992	79,008
Leisure Time Activities	4,013,495	3,801,781	211,714
Community Development	1,256,442	1,223,116	33,326
Sanitation	2,202,100	2,016,597	185,503
Transportation	7,326,660	5,888,100	1,438,560
General Government	3,703,796	3,045,300	658,496
Capital Outlay	10,280,349	7,485,066	2,795,283
Debt Service:			
Principal Retirement	4,780,455	4,780,000	455
Interest and Fiscal Charges	1,574,545	1,557,461	17,084
<b>Total Expenditures</b>	<u>48,538,222</u>	<u>42,349,374</u>	<u>6,188,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,452,928)</u>	<u>(5,264,080)</u>	<u>6,188,848</u>
<b>Other Financing Sources(Uses)</b>			
Sale of Fixed Assets	41	41	0
Proceeds from Sale of Notes	4,200,000	4,200,000	0
Transfers In	7,597,000	7,597,000	0
Transfers Out	(7,826,500)	(7,632,000)	194,500
<b>Total Other Financing Sources (Uses)</b>	<u>3,970,541</u>	<u>4,165,041</u>	<u>194,500</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(7,482,387)</u>	<u>(1,099,039)</u>	<u>6,383,348</u>
Fund Balances at Beginning of Year	5,748,746	5,748,746	0
Prior Year Encumbrances Appropriated	2,962,921	2,962,921	0
<b>Fund Balances at End of Year</b>	<u><u>\$ 1,229,280</u></u>	<u><u>\$ 7,612,628</u></u>	<u><u>\$ 6,383,348</u></u>

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS (DEFICIT) -  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000  
 (with comparative totals for the year ended December 31, 1999)

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>	
			<u>2000</u>	<u>1999(Restated)</u>
<b><u>Operating Revenues</u></b>				
Charges for Services	\$ 8,341,706	\$3,205,986	\$ 11,547,692	\$12,954,280
Miscellaneous	1,274	0	1,274	4,112
<b>Total Operating Revenues</b>	<u>8,342,980</u>	<u>3,205,986</u>	<u>11,548,966</u>	<u>12,958,392</u>
<b><u>Operating Expenses</u></b>				
Wages and Benefits	994,872	425,700	1,420,572	1,222,807
Utilities	14,048	453,902	467,950	426,164
Contractual Services	5,252,694	1,243,634	6,496,328	7,371,379
Maintenance	158,271	0	158,271	139,623
Materials and Supplies	0	44,764	44,764	0
Benefit Payments	0	1,395,091	1,395,091	1,130,438
Depreciation	2,526,194	0	2,526,194	2,409,059
Other	2,117	47,129	49,246	9,875
<b>Total Operating Expenses</b>	<u>8,948,196</u>	<u>3,610,220</u>	<u>12,558,416</u>	<u>12,709,345</u>
Operating Income (Loss)	<u>(605,216)</u>	<u>(404,234)</u>	<u>(1,009,450)</u>	<u>249,047</u>
<b><u>Nonoperating Expenses</u></b>				
Interest and Fiscal Charges	(100,888)	0	(100,888)	(693,647)
<b>Total Nonoperating Expenses</b>	<u>(100,888)</u>	<u>0</u>	<u>(100,888)</u>	<u>(693,647)</u>
Income (Loss) before Operating Transfers	(706,104)	(404,234)	(1,110,338)	(444,600)
<b><u>Operating Transfers</u></b>				
Operating Transfers In	0	35,000	35,000	1,400
<b>Total Operating Transfers</b>	<u>0</u>	<u>35,000</u>	<u>35,000</u>	<u>1,400</u>
Income (Loss)	<u>(706,104)</u>	<u>(369,234)</u>	<u>(1,075,338)</u>	<u>(443,200)</u>
Depreciation on Fixed Assets Acquired By Contributed Capital - City of Strongsville and Others	2,040,338	0	2,040,338	961,948
Increase (Decrease) in Retained Earnings	1,334,234	(369,234)	965,000	518,748
Retained Earnings at Beginning of Year, as Restated	<u>2,303,886</u>	<u>377,377</u>	<u>2,681,263</u>	<u>2,162,515</u>
<b>Retained Earnings at End of Year</b>	<u>\$ 3,638,120</u>	<u>\$ 8,143</u>	<u>\$ 3,646,263</u>	<u>\$ 2,681,263</u>

See accompanying notes to the general purpose financial statements.



CITY OF STRONGSVILLE, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND EQUITY (DEFICIT) - (NON-GAAP BASIS)  
 BUDGET AND ACTUAL - ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Enterprise			Internal Service		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Charges for Services	\$ 8,306,154	\$ 8,306,154	\$ 0	\$ 3,205,986	\$ 3,205,986	\$ 0
Miscellaneous	1,274	1,274	0	0	0	0
<b>Total Revenues</b>	8,307,428	8,307,428	0	3,205,986	3,205,986	0
<b>Expenses</b>						
Wages and Benefits	897,044	778,060	118,984	369,903	369,903	0
Utilities	13,500	13,444	56	416,450	423,163	(6,713)
Contractual Services	7,848,850	5,732,051	2,116,799	1,195,942	1,199,017	(3,075)
Maintenance	156,700	156,641	59	0	0	0
Benefit Payments	0	0	0	1,394,650	1,395,091	(441)
Debt Service:						
Interest and Fiscal Charges	50,444	50,444	0	0	0	0
Other	3,000	2,299	701	46,500	46,384	116
<b>Total Expenses</b>	8,969,538	6,732,939	2,236,599	3,423,445	3,433,558	(10,113)
Income (Loss) Before Operating Transfer	(662,110)	1,574,489	2,236,599	(217,459)	(227,572)	(10,113)
<b>Operating Transfers</b>						
Operating Transfers In	0	0	0	35,000	35,000	0
Operating Transfers Out	(180,500)	0	180,500	0	0	0
<b>Total Operating Transfers</b>	(180,500)	0	180,500	35,000	35,000	0
Net Income (Loss)	(842,610)	1,574,489	2,417,099	(182,459)	(192,572)	(10,113)
Fund Balances at Beginning of Year	2,664,855	2,664,855	0	263,158	263,158	0
Prior Year Encumbrances Appropriated	50,038	50,038	0	0	0	0
<b>Fund Balances at End of Year</b>	\$ 1,872,283	\$ 4,289,382	\$ 2,417,099	\$ 80,699	\$ 70,586	\$ (10,113)

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND EQUITY (DEFICIT) - (NON-GAAP BASIS)  
 BUDGET AND ACTUAL - ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000  
 (CONTINUED)

	<u>TOTALS (MEMORANDUM ONLY)</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>			
Charges for Services	\$ 11,512,140	\$ 11,512,140	\$ 0
Miscellaneous	1,274	1,274	0
<b>Total Revenues</b>	<u>11,513,414</u>	<u>11,513,414</u>	<u>0</u>
<b><u>Expenses</u></b>			
Wages and Benefits	1,266,947	1,147,963	118,984
Utilities	429,950	436,607	(6,657)
Contractual Services	9,044,792	6,931,068	2,113,724
Maintenance	156,700	156,641	59
Benefit Payments	1,394,650	1,395,091	(441)
Debt Service:			
Interest and Fiscal Charges	50,444	50,444	0
Other	49,500	48,683	817
<b>Total Expenses</b>	<u>12,392,983</u>	<u>10,166,497</u>	<u>2,226,486</u>
Income (Loss) Before Operating Transfer	<u>(879,569)</u>	<u>1,346,917</u>	<u>2,226,486</u>
<b><u>Operating Transfers</u></b>			
Operating Transfers In	35,000	35,000	0
Operating Transfers Out	(180,500)	0	180,500
<b>Total Operating Transfers</b>	<u>(145,500)</u>	<u>35,000</u>	<u>180,500</u>
Net Income (Loss)	<u>(1,025,069)</u>	<u>1,381,917</u>	<u>2,406,986</u>
Fund Balances at Beginning of Year	2,928,013	2,928,013	0
Prior Year Encumbrances Appropriated	50,038	50,038	0
<b>Fund Balance at End of Year</b>	<u><u>\$ 1,952,982</u></u>	<u><u>\$ 4,359,968</u></u>	<u><u>\$ 2,406,986</u></u>

See accompanying notes to the general purpose financial statements.

CITY OF STRONGSVILLE, OHIO  
 COMBINED STATEMENT OF CASH FLOWS -  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000  
 (with comparative totals for the year ended December 31, 1999)

	Enterprise	Internal Service	2000	1999 Restated
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Cash Received from Users	\$ 8,295,476	\$ 3,205,986	\$ 11,501,462	\$ 10,955,398
Cash Paid to Suppliers for Goods and Services	(5,322,883)	(1,764,994)	(7,087,877)	(6,345,200)
Cash Paid to Employees for Services	(778,060)	(1,608,405)	(2,386,465)	(2,415,856)
Other Operating Revenue	1,274	0	1,274	4,112
Other Operating Expense	(2,117)	(46,398)	(48,515)	(9,487)
Net Cash Provided by Operating Activities	<u>2,193,690</u>	<u>(213,811)</u>	<u>1,979,879</u>	<u>2,188,967</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Operating Transfers - In	0	35,000	35,000	1,400
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>35,000</u>	<u>35,000</u>	<u>1,400</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Acquisition of Capital Assets	(284,375)	0	(284,375)	0
Principal Paid on Bonds and Notes	(293,028)	0	(293,028)	(341,439)
Interest Paid on Bonds and Notes	(50,444)	0	(50,444)	(693,649)
Net Cash(Used in) Capital and Related Financing Activities	<u>(627,847)</u>	<u>0</u>	<u>(627,847)</u>	<u>(1,035,088)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>1,155,279</u>	<u>1,565,843</u>	<u>(178,811)</u>	<u>1,387,032</u>
Cash and Cash Equivalents at Beginning of Year	2,714,888	263,158	2,978,046	1,822,765
Cash and Cash Equivalents at End of Year	<u>\$ 4,280,731</u>	<u>\$ 84,347</u>	<u>\$ 4,365,078</u>	<u>\$ 2,978,044</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ (605,216)	\$ (404,234)	\$ (1,009,450)	\$ 249,047
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities				
Depreciation	2,526,194	0	2,526,194	2,409,059
Changes in Assets and Liabilities:				
(Increase)Decrease in Accounts Receivable	(46,230)	0	(46,230)	(402,368)
(Increase) Decrease in Inventory of Supplies	0	44,764	44,764	(29,346)
(Increase) Decrease in Prepaids	(100)	0	(100)	1,362
Increase (Decrease) in Accounts Payable	(543,138)	92,237	(450,901)	30,448
Increase (Decrease) in Contracts Payable	645,368	0	645,368	2,507
Increase (Decrease) in Accrued Wages and Benefits	(68)	2,286	2,218	(1,084)
Increase (Decrease) in Retirement Incentive	180,489	54,912	235,401	0
Increase (Decrease) Due to Other Governments	(2,604)	(1,125)	(3,729)	(23,272)
Increase (Decrease) Compensated Absences	38,995	(2,651)	36,344	(47,386)
Net Cash Provided by Operating Activities	<u>\$ 2,193,690</u>	<u>\$ (213,811)</u>	<u>\$ 1,979,879</u>	<u>\$ 2,188,967</u>

See accompanying notes to the general purpose financial statements.

**Schedule of Noncash Investing, Capital, and Financing Activities:**

As of December 31, 2000, the Enterprise funds received capital assets from various sources in the amount of \$1,843,355.

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000

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

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

A. **Reporting Entity**

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

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

Based upon the application of these criterion, the City does not have any component units and therefore, no component unit financial information is presented.

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

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

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

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

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

**Governmental Fund Types**

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

**General Fund**

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

**Special Revenue Fund**

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

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

**Governmental Fund Types** (Continued)

Debt Service Fund

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

Capital Projects Funds

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

**Proprietary Fund Types**

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

Enterprise Funds

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

Internal Service Funds

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

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

**Fiduciary Fund Types**

**Trust and Agency Funds**

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

**Account Groups**

**General Fixed Assets Account Group**

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

**General Long-Term Obligations Account Group**

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

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

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

A. **Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of *current financial resources* measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

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

All proprietary funds are accounted for on a *flow of economic resources* measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types, trust and agency funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current year. The City considers governmental fund revenues as available if they are collected within 60 days after year end.

In applying the “susceptible to accrual” concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: earnings on investments, municipal income taxes, estate tax, fine and forfeitures, and state-levied locally shared taxes (including gasoline tax and motor vehicle fees).

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2000, whose availability cannot be determined and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.



CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized when earned and measurable, and expenses are recognized when incurred, if measurable. Unbilled service charges receivable are recognized as revenue.

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

B. **Budgetary Process**

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

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

**B. Budgetary Process** (Continued)

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected receipts of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Director of Finance determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. During 2000 the appropriation ordinance was amended. The budgetary figures which appear in the statements of budgetary comparison

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

B. **Budgetary Process** (Continued)

Appropriations (Continued)

represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

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

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

Lapsing of Appropriations

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

Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, appropriations and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

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

B. **Budgetary Process** (Continued)

Budgetary Basis of Accounting (Continued)

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure for the proprietary fund type (GAAP).
4. Proceeds from and principal payments on short-term note obligations redeemed within the same year are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

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

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)  
Expenditures  
Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$ 1,169,287	\$ 410,806	\$ (35,274)	\$ (1,967,005)	\$ (7,073)
Revenue Accruals	(821,978)	(58,613)	0	(531,363)	0
Expenditure Accruals	229,330	944,302	(80,444)	(281,574)	7,073
Adjustments for Encumbrances	(24,891)	(50,722)	0	(900)	0
Budget Basis	\$ 551,748	\$ 1,245,773	\$(115,718)	\$ (2,780,842)	\$ 0

CITY OF STRONGSVILLE, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2000  
 (CONTINUED)

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

B. **Budgetary Process** (Continued)

Net Income (Loss)/Excess (Deficiency) of Revenues Over Expenses  
 Proprietary Fund Type

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	\$ (706,104)	\$(369,234)
Net Adjustments for Revenue Accruals	(35,552)	0
Net Adjustments for Expense Accruals	(208,199)	190,437
Depreciation Expense	2,526,194	0
Adjustment for Encumbrances	(1,850)	(13,775)
Budget Basis	\$ 1,574,489	\$(192,572)

C. **Cash and Investments**

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

The portfolio of the City was limited to nonparticipating interest-earning investment contracts and commercial paper. Nonparticipating investment contracts such as non-negotiable certificates of deposit and money market investments, and commercial paper are reported at cost.

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

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$961,171, which includes \$778,741 assigned from other City funds.

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

C. **Cash and Investments** (Continued)

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

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

D. **Inventory of Supplies**

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

E. **Fixed Assets**

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

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

E. **Fixed Assets** (Continued)

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

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

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

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

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

G. **Intergovernmental Revenues**

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

H. **Contributed Capital**

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

I. **Fund Equity**

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

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

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

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

J. **Interfund Transactions**

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

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



CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

**K. Long-Term Obligations**

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

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

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

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE**

**Fund Deficit**

The Capital Projects Fund had a fund deficit of \$468,130 at December 31, 2000. The fund deficit resulted from the recognition of expenditures on the modified accrual basis which is greater than expenditures recognized on the budgetary basis. The deficit does not exist under the cash basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

NOTE 4: **DEPOSITS AND INVESTMENTS**

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

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

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

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

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

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

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

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

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

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

**Deposits**

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

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

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

**Investments**

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

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

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

A. **Deposits**

At year end, the carrying amount of the City's deposits was \$1,989,362 with \$2,700 of cash on hand and the bank balance was \$2,582,903. Of the bank balance, \$927,533 was fully insured by federal depository insurance. All remaining deposits were classified at Category 3.

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

CITY OF STRONGSVILLE, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE PERIOD ENDED DECEMBER 31, 2000  
 (CONTINUED)

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

**B. Investments**

Investments as of December 31, 2000 are summarized below.

<u>Category</u>		<u>Cost</u>	<u>Fair Value</u>
3	Repurchase Agreement	\$ 8,862,730	\$ 8,862,730
1	Commercial Paper	2,626,786	2,626,786
Totals		<u>\$ 11,489,516</u>	<u>\$ 11,489,516</u>

All of the investments are carried at cost or amortized cost.

**C. Reconciliation of Cash, Cash Equivalents, and Investments**

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

	<u>Cash &amp; Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 13,478,878	\$ 0
Investments:		
Commercial Paper	(2,626,786)	2,626,786
Repurchase Agreement	(8,862,730)	8,862,730
GASB Statement No. 3	<u>\$ 1,989,362</u>	<u>\$ 11,489,516</u>

The City maintains a cash pool that is available for the use by all funds and accounts except for the Mayor's Court agency fund and builder's cash deposit trust fund, which are maintained separately.

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

NOTE 5: **PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values for real property are established by State law at 35 percent of appraised market value. All property is required to be revaluated every six years. The latest revaluation was completed in 1996. Public utility real and tangible personal property tax collected in one calendar year is levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Public utility property taxes are assessed on tangible personal property at 88 percent of true value. Taxes collected from tangible personal property (other than public utility property) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property assessments are 25 percent of true value.

The assessed value upon which the 2000 tax receipts were based on was \$1,134,605,453. The full tax rate for all City operations applied to taxable property for the year ended December 31, 2000 was \$11.10 per \$1,000 of assessed valuation.

Real and public utility property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31, with the remainder payable by June 30. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

NOTE 6: **INCOME TAXES**

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

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

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

NOTE 7: **RECEIVABLES**

Receivables at December 31, 2000 consisted of taxes, accounts (billings for user charged services including unbilled sewer services), interest and intergovernmental receivables arising from shared revenues. All receivables are deemed collectible in full.

A summary of the principal items of intergovernmental receivables follows:

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NOTE 7: **RECEIVABLES** (Continued)

<u>Due from Other Governments</u>	<u>Amount</u>
General Fund:	
Local Government	\$ 21,616
Total General Fund	<u>\$ 21,616</u>
Special Revenue Fund:	
Auto Registration Fees	\$ 15,849
Gasoline Tax	7,672
Highway Tax	22,471
Permissive Tax	19,083
Total Special Revenue Fund	<u>\$ 65,075</u>
Capital Projects Fund:	
Grants	\$ 588,669
Total Capital Projects Fund	<u>\$ 588,669</u>
Total Due from Other Governments	<u>\$ 675,360</u>



CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 8: **FIXED ASSETS**

A summary of changes in general fixed assets for the year ended December 31, 2000 follows:

	Balance Jan. 1, 2000	Additions	Deletions	Transfers	Balance Dec. 31, 2000
Land and Land Improvements	\$ 3,835,283	\$ 1,321,596	\$ 0	\$ 0	\$ 5,156,879
Buildings and Improvements	20,969,960	2,155,318	(78,139)	0	23,047,139
Furniture and Fixtures	3,028,040	26,981	(450,445)	(2,422,884)	181,692
Machinery and Equipment	1,572,196	356,063	0	2,422,884	4,351,143
Vehicles	5,796,526	967,849	(115,498)	0	6,648,877
Construction in Progress	666,781	5,513,582	0	0	6,180,363
Totals	<u>35,868,786</u>	<u>10,341,389</u>	<u>(644,082)</u>	<u>0</u>	<u>45,566,093</u>
Less Accumulated Depreciation	(9,548,903)	(3,540,244)	644,082	0	(12,445,065)
Totals	<u>\$ 26,319,883</u>	<u>\$ 6,801,145</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 33,121,028</u>

A summary of changes in proprietary fund fixed assets for the year ended December 31, 2000 is as follows:

	Balance Jan. 1, 2000 Restated	Additions	Deletions	Transfers	Balance Dec. 31, 2000
Land and Land Improvements	\$ 5,054,726	\$ 281,391	\$ 0	\$ 0	\$ 5,336,117
Buildings and Improvements	10,659,370	0	0	(2,007,825)	8,651,545
Furniture and Fixtures	5,000,449	0	(836,743)	(4,153,863)	9,843
Machinery and Equipment	1,893,652	2,984	0	6,161,688	8,058,324
Vehicles	103,783	0	(103,783)	0	0
Storm Lines	47,564,498	997,520	0	0	48,562,018
Sanitary Sewer Installation	56,325,222	845,836	0	0	57,171,058
	<u>126,601,700</u>	<u>2,127,731</u>	<u>(940,526)</u>	<u>0</u>	<u>127,788,905</u>
Less Accumulated Depreciation	(47,681,395)	(2,526,194)	940,526	0	(49,267,063)
Totals	<u>\$ 78,920,305</u>	<u>\$ (398,463)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 78,521,842</u>

The City went through a physical reevaluation process of all fixed assets except infrastructure in 2000. In addition, the threshold for capitalizing fixed assets was increased from \$250 to \$500. The City also began capitalizing storm lines. As a result, beginning balances for fixed assets have been restated as of January 1, 2000.

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

NOTE 9: **RISK MANAGEMENT**

The City maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles, and general liability risks including public officials' liability.

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2000, the City contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Gulf Insurance Co.	General Liability (12,000,000 in aggregate 10,000,000 per occurrence)	No Deductible
Gulf Insurance Co.	Boiler and Machinery	\$ 1,000
Gulf Insurance Co.	Blanket Building and Contents	\$ 1,000
Gulf Insurance Co.	Inland Marine	\$ 500
Gulf Insurance Co.	Blanket Employee Dishonesty	No Deductible
Gulf Insurance Co.	Auto - Comprehensive	\$ 250
Gulf Insurance Co.	Auto - Collision	\$ 1,000
Gulf Insurance Co.	Employer's Liability	No Deductible
Gulf Insurance Co.	Fire Damage Legal Liability	No Deductible
Gulf Insurance Co.	EMS Liability	No Deductible
Gulf Insurance Co.	Public Official Bond	No Deductible
Gulf Insurance Co.	Law Enforcement Liability	\$ 10,000
Gulf Insurance Co.	Public Officials Liability	\$ 10,000

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

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

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

NOTE 10: **DEFINED BENEFIT PENSION PLANS**

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

A. **Public Employees Retirement System**

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20 percent for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84 percent of covered payroll, 6.54 percent to fund the pension and 4.3 percent to fund health care. The 1999 and 1998 employer contribution rates were 13.55 percent. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's required contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$847,185, \$932,702, and \$788,524, respectively. The full amount has been contributed for 1999 and 1998; 80 percent has been contributed for 2000 with the remainder being reported as a liability within the General Long-Term Obligation Account Group.

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

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

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 4.3 percent of covered payroll, which amounted to \$330,231.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio's net assets available for OPEB at December 31, 1999 was \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

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

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2000, 1999, and 1998 were \$761,769, \$631,063, and \$581,157 for police and \$782,282, \$671,927, and \$612,892 for firefighters, respectively. The full amount has been contributed for 1999 and 1998; 74 percent has been contributed for 2000 for police and fire with the remainder being reported as a liability within the General Long-Term Obligations Account Group.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-third basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

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

The portion of the 2000 covered payroll that was used to fund postemployment health care benefits was \$276,573 representing 7.25 percent of covered payroll for police and \$230,260 representing 7.25 percent of covered payroll for fire. Health care funding and accounting were on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 1999, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,467 for police and 9,807 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1999 were \$95,004,633, which was net of member contributions of \$5,518,098.

NOTE 11: **OTHER EMPLOYER BENEFITS**

**Compensated Absences**

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

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation and sick leave at different rates depending upon length of service and type of employment. Vacation leave is recognized as earned. All full-time City employees earn vacation at varying rates based upon length of service. An employee's vacation leave balance will carry over into the next fiscal year if it is not used. Upon retirement, termination, lay-off or death, employees are paid accumulated vacation leave. Sick leave may accrue with various limits based upon contracts. Upon retirement, an employee with at least ten years of

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

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

**Compensated Absences** (Continued)

continuous service is paid one-fourth (1/4) or one-third (1/3) of his or her accumulated sick leave up to various maximum number of hours at current wage rates, based on their contract agreements.

In accordance with Governmental Accounting Standards Board (GASB) Statement 16, the City has accrued a liability for compensated absences at December 31, 2000. For governmental fund types, the City recognized the current portion of this liability at December 31, 2000 that is expected to be liquidated with expendable available financial resources. Accumulated vacation and sick leave totaled \$147,183 and is recorded as a liability within the respective fund type since it was used within sixty days of year-end. The remainder of the compensated absences liability for governmental fund types amounted to \$1,562,267 and is recorded as a liability in the general long-term debt group since the timing of future payments is not determinable. For proprietary funds, accumulated vacation and sick leave is \$71,439 at December 31, 2000. These amounts are recorded as liabilities in the respective enterprise and internal service funds.

NOTE 12: **RETIREMENT INCENTIVE PLAN**

In 1997, the City established a Voluntary Retirement Incentive Plan in compliance with Section 145.297, Ohio Revised Code, under which the City may purchase additional service credit from the Public Employees Retirement System on behalf of certain employees of the City. The effective period of the Plan was May 1, 1997 to December 31, 1999 and the maximum years of service credit purchasable was five years per eligible employee. At December 31, 2000, the City recognized the current portion of the retirement incentive liability of \$210,025 for governmental fund types in the respective funds. The remainder of the liability for governmental fund types amounted to \$1,500,523 and is recorded as a liability in the general long-term debt account group. For proprietary funds, the retirement incentive liability is \$235,401 at December 31, 2000. This amount was recorded as a liability in the respective enterprise and internal service funds.

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

NOTE 13: **LONG-TERM OBLIGATIONS**

Long-term obligations of the City as of December 31, 2000 were as follows:

<u>General Long-Term Obligations</u> <u>Account Group</u>	<u>Balance</u> <u>January 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31,</u> <u>2000</u>
<b>General Long-Term Debt</b>				
Variable Rate (4.0% in 2000 to 5.95% in 2021), 2000 Various Purpose Improvement Bonds due through 2021	\$14,035,000	\$ 0	\$ 350,000	\$13,685,000
Variable Rate (3.6% in 1996 to 6.55% in 2009), 1992 various purpose Improvement Bonds due through 2009	2,435,000	0	230,000	2,205,000
Variable Rate (4.0% in 2000 to 6.0% in 2014), 1996 various purpose Improvement Bonds due through 2014	680,000	0	70,000	610,000
Variable Rate (4.05% in 2000 to 5.05% in 2009), 1997 street Improvement Bonds due through 2009	3,825,000	0	250,000	3,575,000
Total General Obligation Bonds Payable	<u>20,975,000</u>	<u>0</u>	<u>900,000</u>	<u>20,075,000</u>
General Obligation Notes Payable:				
Ohio Public Works Commission - 0% Note due through 2015	175,150	0	10,947	164,203
Ohio Public Works Commission - 0% Note due through 2016	74,992	0	4,545	70,447
Ohio Public Works Commission- 0% Note due through 2017	60,728	0	3,374	57,354
Ohio Public Works Commission 0% Note Due through 2020	11,817	0	295	11,522
Total General Obligation Notes Payable:	<u>322,687</u>	<u>0</u>	<u>19,161</u>	<u>303,526</u>



CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

	Balance January 1, 2000	Additions	Reductions	Balance December 31, 2000
<b>General Long-Term Debt (Cont'd)</b>				
Special Assessments Bonds Payable with Government Commitment:				
1994 Various Purpose Improvement Bonds due through 2014	\$ 975,000	\$ 0	\$ 45,000	\$ 930,000
5.7%, 1996 Various Purpose Improvement Bonds due through 2016	1,135,000	0	45,000	1,090,000
2000 Various Purpose Improvement Bonds due through 2018	300,000	0	10,000	290,000
Total Special Assessments Bonds Payable with Government Commitments	2,410,000	0	100,000	2,310,000
<b>Total General Long-Term Debt</b>	<u>23,707,687</u>	<u>0</u>	<u>1,019,161</u>	<u>22,688,526</u>
<b>Other Long-Term Obligations</b>				
Notes Payable	3,300,000	4,200,000	3,750,000	3,750,000
Compensated Absences	1,256,783	305,484	0	1,562,267
Police and Fire Pension Liability	83,240	0	1,038	82,202
Retirement Incentive	0	1,500,523	0	1,500,523
Total Other Obligations	<u>4,640,023</u>	<u>6,006,007</u>	<u>3,751,038</u>	<u>6,894,992</u>
<b>Total General Long-Term Obligations Account Group</b>	<u>\$28,347,710</u>	<u>\$ 6,006,007</u>	<u>\$ 4,770,199</u>	<u>\$29,583,518</u>
<b>Enterprise Funds</b>				
Ohio Water Development Authority, 10.54% 1986 Bonds due through 2011	\$ 5,320,842	\$ 0	\$ 278,855	\$ 5,041,987
Ohio Public Works Commission - 0% Note due through 2015	226,763	0	14,173	212,590
Variable Rate (4.05% in 2000 to 5.05% in 2014), 1997 Sanitary Sewer various purpose improvement due through 2014	2,130,000	0	30,000	2,100,000
<b>Total Enterprise Funds Debt</b>	<u>\$ 7,677,605</u>	<u>\$ 0</u>	<u>\$ 323,028</u>	<u>\$ 7,354,577</u>

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

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

In October, 2001, \$3,750,000 in principal and \$172,500 in interest is due on the notes payable.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2000 are as follows:

Due In	Governmental					
	General Obligation Bonds		Special Assessment Bonds		Police & Fire Pension	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$ 1,015,000	\$ 1,161,708	\$ 100,000	\$ 135,404	\$ 1,084	\$ 3,482
2002	1,080,000	1,112,953	110,000	130,541	1,130	3,436
2003	1,130,000	1,060,087	110,000	125,085	1,179	3,387
2004	1,180,000	1,005,941	110,000	117,037	1,229	3,336
2005	1,160,000	942,785	125,000	109,663	1,282	3,284
2006-2010	5,340,000	3,688,790	755,000	427,575	7,284	15,544
2011-2015	3,530,000	2,354,385	830,000	188,690	8,989	13,839
2016-2020	4,560,000	1,166,200	170,000	13,925	11,093	11,735
2021-2025	1,080,000	64,260	0	0	13,688	9,140
2026-2030	0	0	0	0	16,892	5,936
2031-2035	0	0	0	0	18,352	1,988
	<u>\$ 20,075,000</u>	<u>\$ 12,557,109</u>	<u>\$ 2,310,000</u>	<u>\$ 1,247,920</u>	<u>\$ 82,202</u>	<u>\$ 75,107</u>

Due In	OPWC			
	Principal		Interest	
	Principal	Interest	Principal	Interest
2001	\$ 19,457	\$ 0	\$ 1,135,541	\$ 1,300,594
2002	19,456	0	1,210,586	1,246,930
2003	19,457	0	1,260,636	1,188,559
2004	19,456	0	1,310,685	1,126,314
2005	19,456	0	1,305,738	1,055,732
2006-2010	97,283	0	6,199,567	4,131,909
2011-2015	97,283	0	4,466,272	2,556,914
2016-2020	11,678	0	4,752,771	1,191,860
2021-2025	0	0	1,093,688	73,400
2026-2030	0	0	16,892	5,936
2031-2035	0	0	18,352	1,988
	<u>\$ 303,526</u>	<u>\$ 0</u>	<u>\$ 22,770,728</u>	<u>\$ 13,880,136</u>

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000  
(CONTINUED)

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

Due In	General Obligation Bonds		Enterprise			
	Principal	Interest	OWDA		OPWC	
			Principal	Interest	Principal	Interest
2001	\$ 75,000	\$ 99,673	\$ 308,246	\$ 531,425	\$ 14,173	\$ 0
2002	95,000	96,597	340,735	498,936	14,173	0
2003	115,000	92,608	376,649	463,023	14,173	0
2004	120,000	87,662	416,347	423,324	14,173	0
2005	140,000	82,443	460,231	379,441	14,173	0
2006-2010	800,000	310,040	3,139,779	1,058,580	70,863	0
2011-2015	755,000	98,222	0	0	70,862	0
2016-2020	0	0	0	0	0	0
2021-2025	0	0	0	0	0	0
2026-2030	0	0	0	0	0	0
2031-2035	0	0	0	0	0	0
	<u>\$ 2,100,000</u>	<u>\$ 867,245</u>	<u>\$ 5,041,987</u>	<u>\$ 3,354,729</u>	<u>\$212,590</u>	<u>\$ 0</u>

Due In	Total	
	Principal	Interest
2001	\$ 397,419	\$ 631,098
2002	449,908	595,533
2003	505,822	555,631
2004	550,520	510,986
2005	614,404	461,884
2006-2010	4,010,642	1,368,620
2011-2015	825,862	98,222
2016-2020	0	0
2021-2025	0	0
2026-2030	0	0
2031-2035	0	0
	<u>\$ 7,354,577</u>	<u>\$ 4,221,974</u>

NOTE 14: **CONDUIT DEBT**

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

Type	On Behalf of	Principal Outstanding December 31, 2000	Year Issued
Industrial Revenue Bonds	Nutro Corporation	\$1,750,000	1994
Total		<u>\$1,750,000</u>	

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

NOTE 15: **INTERFUND TRANSACTIONS**

Interfund balances at December 31, 2000 consist of the following fund type receivable and payables:

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

NOTE 16: **ENTERPRISE FUND CONTRIBUTED CAPITAL**

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

<u>Source</u>	Sanitary		<u>Total</u>
	<u>Sewer Lines</u>	<u>Storm Lines</u>	
Contributed Capital, January 1, as restated	\$ 37,875,869	\$ 33,735,269	\$71,611,138
Contributions from Developers during 2000	845,835	997,520	1,843,355
Less: Depreciation in 2000	(1,032,270)	(1,008,068)	(2,040,338)
Contributed Capital, December 31	<u>\$ 37,689,434</u>	<u>\$ 33,724,721</u>	<u>\$71,414,155</u>

Contributed capital was restated at January 1, 2000 due to an accounting error on contributions from developers.

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

The City's enterprise funds account for the provision of sewer services . The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the City of Strongsville as of and for the year ended December 31, 2000 on a GAAP basis:

	Sanitary	Sewer Capital	<u>Total</u>
	<u>Sewer</u>	<u>Improvement</u>	
Operating Revenues	\$7,801,072	\$ 541,908	\$8,342,980
Operating Expenses, excluding Depreciation Expense	5,748,174	673,828	6,422,002
Depreciation Expense	0	2,526,194	2,526,194
Operating Income (Loss)	2,052,898	(2,658,114)	(605,216)
Non-Operating Expenses - Interest and Fiscal Charges	100,888	0	100,888
Net Income (Loss)	1,952,010	(2,658,114)	(706,104)
Bonds and Other Long-Term Liabilities	2,100,000	5,254,577	7,354,577
Total Assets	41,313,179	43,534,605	84,847,784
Net Working Capital	3,145,658	739,352	3,885,010
Retained Earnings	378,478	3,259,642	3,638,120

CITY OF STRONGSVILLE, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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 (CONTINUED)

NOTE 18: **CONSTRUCTION COMMITMENTS**

As of December 31, 2000, the City had the following significant commitments with respect to Capital Projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>
Fire Station	\$ 70,099
Traffic Signalization	415,128
Route 82/Prospect	338,338
Citywide Paving	149,270

NOTE 19: **SUBSEQUENT EVENTS**

In 2001, the City will issue general obligation bonds in the aggregate principal amount of \$7,193,000 for the purpose of constructing, furnishing, and equipping a new public library building which will be financed by a half (1/2) mill voted property tax.

NOTE 20: **CONTINGENT LIABILITIES**

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

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

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Ohio Society of Certified Public Accountants

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

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

We have audited the general purpose financial statements of the City of Strongsville, Ohio (the City), as of and for the year ended December 31, 2000, and have issued our report thereon dated June 15, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Strongsville, Ohio, in a separate letter dated June 15, 2001.

**Internal Control Over Financial Reporting**

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

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated June 15, 2001.

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

June 15, 2001

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James G. Zupka  
Certified Public Accountant



**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
*5240 East 98<sup>th</sup> Street*  
*Garfield Hts., Ohio 44125*

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

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

**Compliance**

We have audited the compliance of the City of Strongsville, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2000. The City of Strongsville, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Strongsville, Ohio's management. Our responsibility is to express an opinion on the City of Strongsville, Ohio's compliance based on our audit.

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

In our opinion, the City of Strongsville, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2000. However, the results of our auditing procedures disclosed immaterial instances of noncompliance with those requirements that we have reported to the management of the City in a separate letter dated June 15, 2001.

**Internal Control Over Compliance**

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

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

**Schedule of Expenditures of Federal Awards**

We have audited the general purpose financial statements of the City of Strongsville, Ohio, as of and for the year ended December 31, 2000, and have issued our report thereon dated June 15, 2001. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of the City of Strongsville, Ohio. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

June 15, 2001

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James G. Zupka  
Certified Public Accountant

CITY OF STRONGSVILLE, OHIO  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2000

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Revenues/ Receipts</b>	<b>Expenditures/ Disbursements</b>
<u>United States Department of Transportation</u>				
Pass through the Ohio Department of Transportation				
Highway Planning and Construction (Federal Aid Highway Program)	20.205	42420J85	\$1,527,977	\$ 862,295
Pass through the Ohio Department of Public Safety				
Highway Safety Program - 1999	20.600	N/A	18,854	18,854
Highway Safety Program - 2000	20.600	N/A	1,668	1,668
Total United States Department of Transportation			<u>1,548,499</u>	<u>882,817</u>
<u>United States Department of Justice</u>				
Direct Program:				
Drug Abuse Resistance Education	16.580		26,950	26,950
Total United States Department of Justice			<u>26,950</u>	<u>26,950</u>
<u>United States Department of Housing and Urban Development</u>				
Pass through the Cuyahoga County Department of Development				
Community Development Block Grant	14.218	CE-10982-01	71,233	71,233
Community Development Block Grant	14.218	CE-10130A1999	290,632	290,632
Total United States Department of Housing and Urban Development			<u>361,865</u>	<u>361,865</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$1,937,314</u></u>	<u><u>\$1,271,632</u></u>

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

CITY OF STRONGSVILLE, OHIO  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 1: **GENERAL**

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

NOTE 2: **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting and has been reconciled to the program's federal financial reports. The following is a reconciliation by grant from the cash basis to the accrual basis at December 31, 2000.

	<u>Receipt Recognized</u>	<u>Direct Program Expenditures</u>
<u>Department of Transportation</u>		
Cash Basis	\$1,178,004	\$ 780,293
Accrual Adjustment	370,495	102,524
Department of Transportation - Accrual Basis	<u>\$1,548,499</u>	<u>\$ 882,817</u>
<u>Department of Justice</u>		
Cash Basis	\$ 26,950	\$ 26,950
Accrual Adjustment	0	0
Department of Justice - Accrual Basis	<u>\$ 26,950</u>	<u>\$ 26,950</u>
<u>Department of Housing and Urban Development</u>		
Cash Basis	\$ 260,350	\$ 260,350
Accrual Adjustment	101,515	101,515
Department of Housing and Urban Development - Accrual Basis	<u>\$ 361,865</u>	<u>\$ 361,865</u>

CITY OF STRONGSVILLE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 & .505  
 DECEMBER 31, 2000

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

2000(i)	Type of Financial Statement Opinion	Unqualified
2000(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2000(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2000(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2000(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2000(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2000(v)	Type of Major Programs' Compliance Opinions	Unqualified
2000(vi)	Are there any reportable findings under .510?	No
2000(vii)	Major Programs (list):	<ol style="list-style-type: none"> <li>1. Highway Planning and Construction (Federal Aid Highway Program)</li> <li>2. Community Development Block Grant</li> </ol>
2000(viii)	Dollar Threshold: A/B Programs	Type A: \$300,000 Type B: All Others
2000(ix)	Low Risk Auditee?	No

CITY OF STRONGSVILLE, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
DECEMBER 31, 2000

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

None.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

CITY OF STRONGSVILLE, OHIO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS & RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**Prior Audit Finding**

Contract Bidding

**Corrective Action Taken**

All contracts over \$15,000 entered into by the City are subject to competitive bidding procedures.

**Prior Recommendations**

The prior audit report, as of December 31, 1999, included management letter recommendations. These have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**CITY OF STRONGSVILLE**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 14, 2001**