



Dave Yost • Auditor of State

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**CITY OF STRONGSVILLE  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Strongsville, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Strongsville, Cuyahoga County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Street Construction Maintenance and Repair and Fire Levy funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Government's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

May 20, 2011

**CITY OF STRONGSVILLE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Unaudited)**

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As management of the City of Strongsville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of 2010 by \$212,942,580. Of this amount, \$17,358,050 is considered unrestricted. The unrestricted net assets of the City's governmental activities was \$12,359,330 and may be used to meet the government's on-going obligations. The unrestricted net assets of the City's business-type activities was \$4,998,720, with Invested in Capital Assets, Net of Related Debt accounting for \$47,515,018 or 90.5 percent of the total business-type activities' net assets.
- The City's total net assets decreased \$3,635,743 or 1.7 percent in 2010. Net assets of the governmental activities decreased \$2,875,804, which represents a 1.8 percent decrease from 2009. Net assets of the business-type activities decreased \$759,939 or 1.4 percent from 2009.
- The General Fund reported a fund balance of \$11,696,161 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$11,340,125 or 38.1 percent of the total General Fund expenditures (including transfers out). There was a \$191,807 increase in the total General Fund balance for the year ended December 31, 2010.
- On a cash basis, the City's income tax collections reported in the General Fund decreased by \$245,039 or 1.0 percent during 2010.

**Overview of the Financial Statements**

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

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

**CITY OF STRONGSVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

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

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

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

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

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

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

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



**CITY OF STRONGSVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

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The City maintains 27 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Construction, Maintenance, and Repair Fund, Fire Levy Fund, General Bond Retirement Fund, General Capital Improvement Fund, and Pearl Road Capital Improvement Fund, all of which are considered to be major funds. Data from the other 21 governmental funds are combined into a single aggregated presentation.

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

**Proprietary Funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its sanitary sewer operations. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally to the City's various functions. The City has one Internal Service Fund to account for workers' compensation coverage.

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

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

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

The basic fiduciary fund financial statement can be found on page 27 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and can be found on pages 28-66.

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

**CITY OF STRONGSVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

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

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

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

**The City of Strongsville as a Whole**

Recall that the Statement of Net Assets looks at the City as a whole. The following provides a summary of the City's net assets for 2010 compared to 2009.

**Table 1 - Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Current and Other Assets	\$ 52,037,140	\$ 54,022,735	\$ 5,322,983	\$ 4,280,104	\$ 57,360,123	\$ 58,302,839
Capital Assets	189,040,161	185,919,480	50,329,518	52,632,263	239,369,679	238,551,743
<b>Total Assets</b>	<u>241,077,301</u>	<u>239,942,215</u>	<u>55,652,501</u>	<u>56,912,367</u>	<u>296,729,802</u>	<u>296,854,582</u>
<b>Liabilities</b>						
Long-Term Liabilities	61,333,705	63,790,635	2,978,398	3,408,653	64,312,103	67,199,288
Other Liabilities	19,314,754	12,846,934	160,365	230,037	19,475,119	13,076,971
<b>Total Liabilities</b>	<u>80,648,459</u>	<u>76,637,569</u>	<u>3,138,763</u>	<u>3,638,690</u>	<u>83,787,222</u>	<u>80,276,259</u>
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	131,506,472	125,782,137	47,515,018	49,376,535	179,021,490	175,158,672
Restricted	16,563,040	24,275,156	0	0	16,563,040	24,275,156
Unrestricted (Deficit)	12,359,330	13,247,353	4,998,720	3,897,142	17,358,050	17,144,495
<b>Total Net Assets</b>	<u>\$160,428,842</u>	<u>\$163,304,646</u>	<u>\$52,513,738</u>	<u>\$53,273,677</u>	<u>\$212,942,580</u>	<u>\$216,578,323</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's total assets exceeded total liabilities by \$212,942,580 at the close of the most recent fiscal year.

**CITY OF STRONGSVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

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The largest portion of the City's total net assets (84.1 percent) reflects its investments in capital assets (e.g., land, construction in progress, buildings, land improvements, machinery and equipment, furniture and fixtures, vehicles, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets reflects resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's on-going obligations to citizens and creditors. It is important to note that, although the total unrestricted net assets is \$17,358,050, the unrestricted net assets of the City's business-type activities, \$4,998,720, may not be used to fund governmental activities.

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

Total assets decreased slightly from 2009 to 2010 in the amount of \$124,780, while the City's total liabilities increased by \$3,510,963. The increase in liabilities is primarily due to the City's issuance of short term bond anticipation notes and an increase in deferred revenue and retainage payable.

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

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

**Table 2 - Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 6,681,349	\$ 6,493,958	\$ 5,691,848	\$ 5,104,311	\$12,373,197	\$11,598,269
Operating Grants and Contributions	1,916,860	2,319,608	0	0	1,916,860	2,319,608
Capital Grants and Contributions	5,715,992	921,391	633,858	206,265	6,349,850	1,127,656
General Revenues:						
Property Taxes	9,425,087	10,115,539	0	0	9,425,087	10,115,539
Income Taxes	25,485,849	26,099,779	0	0	25,485,849	26,099,779
Other Taxes	479,293	492,690	0	0	479,293	492,690
Payments in Lieu of Taxes	609,562	349,651	0	0	609,562	349,651
Grants and Entitlements	4,135,580	4,240,943	0	0	4,135,580	4,240,943
Investment Earnings	221,886	565,760	0	0	221,886	565,760
<b>Total Revenues</b>	<b>54,671,458</b>	<b>51,599,319</b>	<b>6,325,706</b>	<b>5,310,576</b>	<b>60,997,164</b>	<b>56,909,895</b>
<b>Program Expenses</b>						
General Government	6,269,187	6,539,544	0	0	6,269,187	6,539,544
Security of Persons and Property	19,977,428	19,224,379	0	0	19,977,428	19,224,379
Public Health Services	576,471	633,268	0	0	576,471	633,268
Transportation	19,202,006	15,647,804	0	0	19,202,006	15,647,804
Community Environment	1,160,407	1,342,951	0	0	1,160,407	1,342,951
Public Works	2,552,751	2,527,962	0	0	2,552,751	2,527,962
Leisure Time Activities	5,765,092	5,699,830	0	0	5,765,092	5,699,830
Interest and Fiscal Charges	2,693,920	2,586,722	168,972	214,207	2,862,892	2,800,929
Sewer	0	0	6,266,673	6,556,939	6,266,673	6,556,939
<b>Total Program Expenses</b>	<b>58,197,262</b>	<b>54,202,460</b>	<b>6,435,645</b>	<b>6,771,146</b>	<b>64,632,907</b>	<b>60,973,606</b>
Transfers	650,000	0	(650,000)	0	0	0
<i>Increase (Decrease) in Net Assets</i>	<u><b>\$(2,875,804)</b></u>	<u><b>\$(2,603,141)</b></u>	<u><b>\$(759,939)</b></u>	<u><b>\$(1,460,570)</b></u>	<u><b>\$(3,635,743)</b></u>	<u><b>\$(4,063,711)</b></u>

**Governmental Activities**

Governmental activities decreased the City's net assets by \$2,875,804 due to total program expenses of \$58,197,262 exceeding total revenues of \$54,671,458. Several types of revenues fund the City's governmental activities with the City income tax being the biggest contributor. The income tax rate was 2.0 percent for 2010, the same as the prior year. Both residents of the City and non-residents who work inside the City are subject to the income tax. However, if residents work in a locality that has a municipal income tax, the City has provided a 75 percent credit up to 2.0 percent for those who pay income tax to another City. City Council could, by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

The income tax revenue for 2010 was \$25,485,849. Of the \$54,671,458 in total program and general revenues, income tax accounts for 46.6 percent of that total. Property taxes of \$9,425,087 account for 17.2 percent of total revenues; operating grants, capital grants and contributions, and general revenues from grants and entitlements account for 21.5 percent of total governmental revenues; and charges for services, investment earnings, other taxes, and payments in lieu of taxes make up the remaining 14.7 percent.

**CITY OF STRONGSVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

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General revenues from grants and entitlements, such as local government funds, are also revenue generators. The combination of property tax, income tax, and intergovernmental funding, is not sufficient to cover all expenses in the governmental activities. The City monitors its sources of revenues very closely for fluctuations.

For the most part, increases in expenses closely parallel inflation and growth in the demand for City services. The largest program function for the City is security of persons and property. During 2010, 34.3 percent of program expenses relate to security of persons and property, which includes Police and Fire protection. The expenditures of this program increased from 2009 to 2010 by \$753,049, which is the direct result of union negotiated cost of living increases, increased health care costs and increased grant expenditures.

The second largest program function of the City is transportation. During 2010, 33.0 percent of program expenditures relate to transportation, which includes road repairs and snow removal. The expenditures of this program increased by \$3,554,202 from 2009 to 2010, which is the direct result of an increase in road maintenance throughout the City and the Pearl Road widening project.

#### **Business-Type Activities**

The business-type activities of the City, which pertain to the City's sewer operations, decreased the City's net assets by \$759,939. This is primarily due to a transfer to the General Bond Retirement Fund for payment of debt service requirements related to sanitary sewer projects.

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

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

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

As of December 31, 2010, the City's governmental funds reported ending fund balances of \$26,283,328, a decrease of \$6,748,654 in comparison with the prior year. \$22,638,323 of the ending fund balance for 2010 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service and for a variety of other restricted purposes.

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

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All governmental funds had total revenues of \$56,340,797 and expenditures of \$63,771,081 with expenditures exceeding revenues by \$7,430,284. While revenues increased from the previous year primarily due to an increase in grant revenue, expenditures decreased significantly from the previous year due to the retirement of short term Bond Anticipation Notes in the amount of \$16,450,000 and the subsequent issuance of long term Bonds in the amount of \$17,985,000.

### **GENERAL FUND**

The General Fund is the chief operating fund of the City. At the beginning of the current year, total fund balance for the General Fund was \$11,504,354. General Fund expenditures (including transfers out) for the current year were \$29,758,160, with revenues and other financing sources of \$29,949,967, leaving a fund balance of \$11,696,161, and an unreserved balance of \$11,340,125 in the General Fund.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures (including transfers out). The General Funds's unreserved fund balance represents 38.11 percent of total General Fund expenditures while total fund balance represents 39.30 percent of that same amount.

The fund balance of the City's General Fund when compared to 2009 increased by \$191,807 during 2010. Key factors in this increase are as follows:

- On a cash basis, the City's income tax collections decreased by \$245,039
- The elimination of 9 full-time positions throughout the City of Strongsville.
- The addition of an interfund receivable from the Pearl Road Capital Improvement Fund.
- A proactive budgeting strategy and prudent financial management.

### **General Fund Budgetary Highlights**

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of 2010, the City amended its General Fund budget on various occasions. All recommendations for budget changes come to the Finance Committee of City Council for review before going to the whole Council for ordinance enactment on the change. The City does allow small interdepartmental budget changes that modify line items within departments within the same fund. The General Fund supports many of the City's major activities such the Police Department and the Fire Department, the Service Department, and the Recreation Department, as well as most legislative and executive activities. The General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

**CITY OF STRONGSVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
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For the General Fund, original budgeted revenues (including other financing sources) were \$29,197,919. The final budgeted revenue amount (including other financing sources) was \$30,074,668. This increase was primarily due to an increase in advances in from another governmental fund and a grant from the County for police radios. Original General Fund budgeted expenditures (including other financing uses) were \$30,437,185 and the final amended budgeted expenditures (including other financing uses) were \$31,980,935. Actual General Fund expenditures (including other financing uses) were \$31,088,842 or \$892,093 less than was budgeted due to prudent fiscal management and a proactive budgeting strategy.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for governmental and business-type activities as of December 31, 2010, amounts to \$239,369,679 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and fixtures, vehicles, streets and sidewalks, traffic signalization, and drainage systems.

**Table 3 - Capital Assets at December 31, 2010, Net of Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 7,393,905	\$ 7,393,905	\$ 1,508,079	\$ 1,508,079	\$ 8,901,984	\$ 8,901,984
Construction in Progress	23,655,817	14,273,348	26,234	1,528,708	23,682,051	15,802,056
<b>Total Non-Depreciable</b>	<u>31,049,722</u>	<u>21,667,253</u>	<u>1,534,313</u>	<u>3,036,787</u>	<u>32,584,035</u>	<u>24,704,040</u>
Buildings	31,584,223	32,237,117	4,944,288	5,132,248	36,528,511	37,369,365
Improvements	1,079,490	1,100,768	239,808	242,758	1,319,298	1,343,526
Machinery and Equipment	1,187,116	1,017,771	1,008,254	1,099,388	2,195,370	2,117,159
Furniture and Fixtures	539,177	394,744	986	986	540,163	395,730
Vehicles	2,858,004	3,413,369	455,672	657,820	3,313,676	4,071,189
Infrastructure:						
Streets	71,421,495	75,694,862	0	0	71,421,495	75,694,862
Storm Sewers	42,933,987	43,580,285	0	0	42,933,987	43,580,285
Sidewalks	2,892,514	3,132,078	0	0	2,892,514	3,132,078
Traffic Signals	3,494,433	3,681,233	0	0	3,494,433	3,681,233
Sanitary Sewer	0	0	42,146,197	42,462,276	42,146,197	42,462,276
<b>Total Depreciable,</b>						
<b>Net of Depreciation</b>	<u>157,990,439</u>	<u>164,252,227</u>	<u>48,795,205</u>	<u>49,595,476</u>	<u>206,785,644</u>	<u>213,847,703</u>
<b>Total Capital Assets,</b>						
<b>Net of Depreciation</b>	<u>\$189,040,161</u>	<u>\$185,919,480</u>	<u>\$50,329,518</u>	<u>\$52,632,263</u>	<u>\$239,369,679</u>	<u>\$238,551,743</u>

Major capital asset events during 2010 included the following:

- Total capital assets, net of accumulated depreciation, increased by \$817,936.
- Business-type activity capital assets decreased by \$2,302,745 (net of accumulated depreciation). The decrease was due to current year depreciation expense exceeding capital additions.
- Governmental activity capital assets increased by \$3,120,681 (net of accumulated depreciation). This increase was primarily due to significant additions to Construction in Progress exceeding current year's depreciation expenses.

**CITY OF STRONGSVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

**Debt**

The General Bond Retirement Debt Service Fund has a total fund balance of \$1,568,792. The General Bond Retirement Fund is funded primarily with real estate tax revenue at the level necessary to meet debt service requirements. At December 31, 2010, the City had \$59,594,500 of bonds and loans outstanding, with \$56,780,000 in governmental activities and \$2,814,500 in business-type activities and are included herein.

**Table 4 - Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Long Term Debt</b>						
General Obligation Bonds	\$55,745,000	\$58,035,000	\$ 0	\$ 0	\$55,745,000	\$58,035,000
OPWC Loan	0	118,688	0	77,946	0	196,634
OWDA Loan	0	0	2,280,080	3,177,782	2,280,080	3,177,782
Special Assessment Bonds	<u>1,035,000</u>	<u>1,190,000</u>	<u>534,420</u>	<u>0</u>	<u>1,569,420</u>	<u>1,190,000</u>
<b>Total Outstanding Debt</b>	<u>\$56,780,000</u>	<u>\$59,343,688</u>	<u>\$ 2,814,500</u>	<u>\$ 3,255,728</u>	<u>\$59,594,500</u>	<u>\$62,599,416</u>

In a continuing effort to be conscientious about how taxpayer dollars are spent, the City maintained throughout 2010 a Moody's Investors Service Aaa rating. Strongsville remains one of the few cities in Ohio to have been awarded the Aaa rating.

The City is within all of its legal debt limitations. The Ohio Revised Code provides that the net debt (as defined in the Ohio Revised Code) of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of the total taxation value of property. The statutory limitations on debt are measured by the ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2010, the City's overall legal debt margin was at \$91,862,501 and the unvoted legal debt margin was at \$24,966,727. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt is limited to ten mills. This millage is measured against the property values in each overlapping district.



**CITY OF STRONGSVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

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**Economic Factors**

The City's elected and appointed officials considered many factors when setting the budget for fiscal year 2010. The continued uncertain economic conditions, the mortgage crisis and the uncertainty surrounding the State of Ohio's budgetary problems, have dictated that a conservative approach be taken with all of the City's financial matters as the City strives to maintain its objectives for the 2010 budget: jobs, safety, and a long-term fiscal stability. With the uncertainty surrounding the economy, the City considered the impact on two primary revenues sources: income tax revenue and state shared revenue. City Council decided that it was important to: 1) continue the City's investment in job creation; 2) put the highest premium on safety for the people of the City and City employees; and 3) adopt a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2010 budget, the City recognized the need to continue its pattern of cost containment while pursuing new revenue sources.

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Strongsville's finances and to show accountability for the money it receives, spends, or invests. If you have any questions about this report or need financial information contact Director of Finance, Joseph K. Dubovec, CPA, City of Strongsville, 16099 Foltz Parkway, Strongsville, Ohio 44149, telephone 440-580-3100.

# *Basic Financial Statements*

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$ 28,724,362	\$ 2,896,202	\$ 31,620,564
Materials and Supplies Inventory	612,411	1,047	613,458
Accrued Interest Receivable	13,185	0	13,185
Accounts Receivable	432,831	1,820,226	2,253,057
Intergovernmental Receivable	3,874,213	0	3,874,213
Prepaid Items	318,268	0	318,268
Taxes Receivable	16,245,679	0	16,245,679
Special Assessments Receivable	1,195,529	605,508	1,801,037
Unamortized Bond Issuance Costs	620,662	0	620,662
Nondepreciable Capital Assets	31,049,722	1,534,313	32,584,035
Depreciable Capital Assets, Net	<u>157,990,439</u>	<u>48,795,205</u>	<u>206,785,644</u>
<b>Total Assets</b>	<b><u>241,077,301</u></b>	<b><u>55,652,501</u></b>	<b><u>296,729,802</u></b>
<b><u>Liabilities</u></b>			
Accounts Payable	615,530	28,832	644,362
Accrued Wages and Benefits	710,316	34,364	744,680
Contracts Payable	387,715	9,264	396,979
Intergovernmental Payable	427,344	87,318	514,662
Accrued Interest Payable	229,646	0	229,646
Retainage Payable	1,710,819	587	1,711,406
Deferred Revenue	10,191,926	0	10,191,926
Notes Payable	5,041,458	0	5,041,458
Long-Term Liabilities:			
Due Within One Year	4,065,815	291,470	4,357,285
Due in More Than One Year	<u>57,267,890</u>	<u>2,686,928</u>	<u>59,954,818</u>
<b>Total Liabilities</b>	<b><u>80,648,459</u></b>	<b><u>3,138,763</u></b>	<b><u>83,787,222</u></b>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	131,506,472	47,515,018	179,021,490
Restricted for:			
Capital Projects	3,309,357	0	3,309,357
Debt Service	4,542,450	0	4,542,450
Other Purposes	8,711,233	0	8,711,233
Unrestricted	<u>12,359,330</u>	<u>4,998,720</u>	<u>17,358,050</u>
<b>Total Net Assets</b>	<b><u>\$ 160,428,842</u></b>	<b><u>\$ 52,513,738</u></b>	<b><u>\$ 212,942,580</u></b>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
			Governmental Activities	Business-Type Activities
<b>Primary Government</b>				
<i>Governmental Activities:</i>				
Security of Persons and Property	\$ 19,977,428	\$ 1,106,800	\$ 32,195	\$ 624,893
Public Health Services	576,471	50,778	0	0
Leisure Time Activities	5,765,092	3,126,816	0	190,500
Community Environment	1,160,407	74,865	3,500	0
Public Works	2,552,751	0	0	0
Transportation	19,202,006	25,258	1,881,165	4,900,599
General Government	6,269,187	2,296,832	0	0
Interest and Fiscal Charges	2,693,920	0	0	0
<i>Total Governmental Activities</i>	<u>58,197,262</u>	<u>6,681,349</u>	<u>1,916,860</u>	<u>5,715,992</u>
			\$ (18,213,540)	\$ 0
			(525,693)	0
			(2,447,776)	0
			(1,082,042)	0
			(2,552,751)	0
			(12,394,984)	0
			(3,972,355)	0
			(2,693,920)	0
			<u>(43,883,061)</u>	<u>0</u>
				\$ (18,213,540)
				(525,693)
				(2,447,776)
				(1,082,042)
				(2,552,751)
				(12,394,984)
				(3,972,355)
				(2,693,920)
				<u>(43,883,061)</u>
<i>Business-Type Activities:</i>				
Sanitary Sewer	6,435,645	5,691,848	0	633,858
<i>Total Business-Type Activities</i>	<u>6,435,645</u>	<u>5,691,848</u>	<u>0</u>	<u>633,858</u>
			0	(109,939)
			0	(109,939)
<b>Total Primary Government</b>	<u>\$ 64,632,907</u>	<u>\$ 12,373,197</u>	<u>\$ 1,916,860</u>	<u>\$ 6,349,850</u>
			(43,883,061)	(109,939)
				(43,993,000)
<b>General Revenues:</b>				
Property Taxes Levied for:				
General Purposes			434,211	0
Special Revenue			5,405,637	0
Debt Service			3,585,239	0
Income Taxes Levied for:				
General Purposes			22,863,432	0
Special Revenue			2,622,417	0
Other Taxes for:				
General Purposes			160,640	0
Special Revenue			318,653	0
Payments in Lieu of Taxes			609,562	0
Grants and Entitlements not Restricted to Specific Programs			4,135,580	0
Investment Earnings			221,886	0
<b>Total General Revenues</b>			<u>40,357,257</u>	<u>0</u>
Transfers			650,000	(650,000)
Change in Net Assets			<u>(2,875,804)</u>	<u>(759,939)</u>
Net Assets, Beginning of Year			163,304,646	53,273,677
<b>Net Assets, End of Year</b>			<u>\$ 160,428,842</u>	<u>\$ 52,513,738</u>
				\$ 212,942,580

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	General	Street Construction, Maintenance, and Repair	Fire Levy	General Bond Retirement	General Capital Improvement	Pearl Road Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>								
Equity in Pooled Cash and Cash Equivalents	\$ 7,571,611	\$ 2,442,826	\$ 1,152,853	\$ 1,587,760	\$ 5,789,339	\$ 2,755,076	\$ 6,578,140	\$ 27,877,605
Taxes Receivable	5,791,691	1,092,619	4,422,977	3,690,177	0	0	1,248,215	16,245,679
Accounts Receivable	24,513	0	1,000	0	152,264	0	255,054	432,831
Accrued Interest Receivable	13,185	0	0	0	0	0	0	13,185
Special Assessments Receivable	49,586	0	0	0	110,943	0	1,035,000	1,195,529
Intergovernmental Receivable	1,016,076	725,615	231,700	188,518	0	678,780	1,033,524	3,874,213
Due from Other Funds	500,000	0	0	0	0	0	0	500,000
Inventory	60,258	508,774	0	0	0	0	43,379	612,411
Prepaid Items	295,778	0	0	22,490	0	0	0	318,268
<b>Total Assets</b>	<b>\$15,322,698</b>	<b>\$ 4,769,834</b>	<b>\$ 5,808,530</b>	<b>\$ 5,488,945</b>	<b>\$ 6,052,546</b>	<b>\$ 3,433,856</b>	<b>\$ 10,193,312</b>	<b>\$ 51,069,721</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts Payable	\$ 404,088	\$ 149,466	\$ 8,487	\$ 0	\$ 0	\$ 0	\$ 53,489	\$ 615,530
Contracts Payable	0	0	0	0	0	358,093	29,622	387,715
Retainage Payable	0	0	0	0	12,426	648,999	1,049,394	1,710,819
Accrued Wages and Benefits	344,246	116,823	178,845	0	0	0	70,402	710,316
Intergovernmental Payable	20,743	17,411	782	0	0	0	89,144	128,080
Due to Other Funds	0	0	0	0	0	500,000	0	500,000
Notes Payable	0	0	0	41,458	5,000,000	0	0	5,041,458
Deferred Revenue	2,857,460	799,051	4,654,677	3,878,695	110,943	0	3,391,649	15,692,475
<b>Total Liabilities</b>	<b>3,626,537</b>	<b>1,082,751</b>	<b>4,842,791</b>	<b>3,920,153</b>	<b>5,123,369</b>	<b>1,507,092</b>	<b>4,683,700</b>	<b>24,786,393</b>
<b>Fund Balances</b>								
Reserved for Inventory	60,258	508,774	0	0	0	0	43,379	612,411
Reserved for Prepaid Items	295,778	0	0	0	0	0	0	295,778
Reserved for Debt Service	0	0	0	1,568,792	0	0	1,168,024	2,736,816
Unreserved	11,340,125	3,178,309	965,739	0	929,177	1,926,764	4,298,209	22,638,323
<b>Total Fund Balances</b>	<b>11,696,161</b>	<b>3,687,083</b>	<b>965,739</b>	<b>1,568,792</b>	<b>929,177</b>	<b>1,926,764</b>	<b>5,509,612</b>	<b>26,283,328</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,322,698</b>	<b>\$ 4,769,834</b>	<b>\$ 5,808,530</b>	<b>\$ 5,488,945</b>	<b>\$ 6,052,546</b>	<b>\$ 3,433,856</b>	<b>\$ 10,193,312</b>	<b>\$ 51,069,721</b>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO**  
**NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2010**

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<b>Total Governmental Funds Balance</b>	\$ 26,283,328
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*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	189,040,161
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	\$ 516,485	
Grants and Entitlements	1,696,000	
Income Tax	2,092,535	
Special Assessments	<u>1,195,529</u>	
Total		5,500,549

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

Deferred Charges for Bond Premium	(753,689)	
Unamortized Bond Issuance Costs	<u>620,662</u>	
Total		(133,027)

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

General Obligation Bonds	(55,745,000)	
Special Assessment Bonds	(1,035,000)	
Compensated Absences	(3,252,523)	
Accrued Interest Payable	<u>(229,646)</u>	
Total		<u>(60,262,169)</u>

<b>Net Assets of Governmental Activities</b>	<b><u>\$160,428,842</u></b>
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See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Street Construction, Maintenance, and Repair	Fire Levy	General Bond Retirement	General Capital Improvement	Pearl Road Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Municipal Income Taxes	\$ 23,673,497	\$ 2,786,616	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,460,113
Property Taxes	436,672	0	4,239,487	3,603,450	0	0	1,194,697	9,474,306
Other Taxes	158,630	0	0	0	0	0	0	158,630
Payment in Lieu of Taxes	0	0	0	0	0	0	609,562	609,562
Intergovernmental Revenue	3,703,601	1,734,582	548,019	439,126	0	5,427,399	803,924	12,656,651
Special Assessments	0	0	0	0	18,606	0	155,000	173,606
Charges for Services	237,877	0	1,041	0	2,400	0	4,065,456	4,306,774
Fees, Licenses, and Permits	736,111	0	1,185	0	603,780	0	1,710	1,342,786
Fines and Forfeitures	609,646	0	0	0	0	0	25,873	635,519
Interest Income	99,786	14,262	0	1,820	0	0	106,018	221,886
Miscellaneous	269,989	22,859	2,030	0	0	0	6,086	300,964
<b>Total Revenues</b>	<b>29,925,809</b>	<b>4,558,319</b>	<b>4,791,762</b>	<b>4,044,396</b>	<b>624,786</b>	<b>5,427,399</b>	<b>6,968,326</b>	<b>56,340,797</b>
<b>Expenditures</b>								
Current:								
General Government	5,927,884	0	0	5,000	0	73,753	16,913	6,023,550
Security of Persons and Property	9,810,775	0	6,518,163	0	0	0	2,624,980	18,953,918
Public Health Services	284,774	0	0	0	0	0	318,083	602,857
Leisure Time Activities	290,950	0	0	0	0	0	4,858,576	5,149,526
Community Environment	1,112,484	0	0	0	0	0	1,112,484	1,112,484
Public Works	2,547,844	0	0	0	0	0	4,907	2,552,751
Transportation	0	8,380,681	0	0	1,434,009	2,028,685	661,107	12,504,482
Capital Outlay	433,199	74,982	12,500	0	74,147	6,431,453	4,590,662	11,616,943
Debt Service:								
Principal Retirement	0	0	0	2,265,000	33,177	0	265,511	2,563,688
Interest and Fiscal Charges	0	0	0	2,337,207	0	0	353,675	2,690,882
<b>Total Expenditures</b>	<b>20,407,910</b>	<b>8,455,663</b>	<b>6,530,663</b>	<b>4,607,207</b>	<b>1,541,333</b>	<b>8,533,891</b>	<b>13,694,414</b>	<b>63,771,081</b>
Excess of Revenues Over (Under) Expenditures	9,517,899	(3,897,344)	(1,738,901)	(562,811)	(916,547)	(3,106,492)	(6,726,088)	(7,430,284)
<b>Other Financing Sources (Uses)</b>								
Transfers In	0	3,911,000	2,100,000	866,250	0	0	3,123,000	10,000,250
Transfers Out	(9,350,250)	0	0	0	0	0	0	(9,350,250)
Sale of Capital Assets	24,158	7,472	0	0	0	0	0	31,630
<b>Total Other Financing Sources (Uses)</b>	<b>(9,326,092)</b>	<b>3,918,472</b>	<b>2,100,000</b>	<b>866,250</b>	<b>0</b>	<b>0</b>	<b>3,123,000</b>	<b>681,630</b>
Net Change in Fund Balances	191,807	21,128	361,099	303,439	(916,547)	(3,106,492)	(3,603,088)	(6,748,654)
Fund Balances at Beginning of Year	11,504,354	3,665,955	604,640	1,265,353	1,845,724	5,033,256	9,112,700	33,031,982
<b>Fund Balances at End of Year</b>	<b>\$ 11,696,161</b>	<b>\$ 3,687,083</b>	<b>\$ 965,739</b>	<b>\$ 1,568,792</b>	<b>\$ 929,177</b>	<b>\$ 1,926,764</b>	<b>\$ 5,509,612</b>	<b>\$ 26,283,328</b>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**Net Change in Fund Balances - Total Governmental Funds** \$ (6,748,654)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 3,120,681

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

Property Tax	(49,219)	
Grants and Entitlements	81,822	
Income Tax	(974,264)	
Special Assessments	(727,678)	
Total		(1,669,339)

The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 2,564,019

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (5,244)

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

Compensated Absences	(137,267)
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**Change in Net Assets of Governmental Activities** \$ (2,875,804)

See accompanying notes to the basic financial statements.



**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Municipal Income Taxes	\$23,601,000	\$22,781,000	\$23,410,600	\$ 629,600
Property Taxes	421,344	548,671	551,672	3,001
Other Taxes	145,000	160,000	161,686	1,686
Intergovernmental Revenue	2,640,775	3,870,290	3,924,086	53,796
Charges for Services	158,100	234,200	246,813	12,613
Fees, Licenses, and Permits	611,600	725,800	736,111	10,311
Fines and Forfeitures	575,000	624,000	629,499	5,499
Interest Income	450,000	100,000	86,601	(13,399)
Miscellaneous	275,100	260,707	261,050	343
<b>Total Revenues</b>	<u>28,877,919</u>	<u>29,304,668</u>	<u>30,008,118</u>	<u>703,450</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	9,518,550	9,919,800	9,660,552	259,248
Public Health Services	365,200	331,700	283,303	48,397
Leisure Time Activities	322,335	302,535	288,155	14,380
Community Environment	1,359,200	1,313,300	1,167,531	145,769
Public Works	2,621,800	2,657,500	2,545,246	112,254
General Government	7,447,100	6,760,820	6,448,987	311,833
Capital Outlay	0	845,030	844,818	212
<b>Total Expenditures</b>	<u>21,634,185</u>	<u>22,130,685</u>	<u>21,238,592</u>	<u>892,093</u>
Excess of Revenues Over Expenditures	<u>7,243,734</u>	<u>7,173,983</u>	<u>8,769,526</u>	<u>1,595,543</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	20,000	23,000	24,158	1,158
Refund of Prior Year Expenditures	300,000	247,000	246,417	(583)
Transfers Out	(8,803,000)	(9,350,250)	(9,350,250)	0
Advances In	0	500,000	0	(500,000)
Advances Out	0	(500,000)	(500,000)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(8,483,000)</u>	<u>(9,080,250)</u>	<u>(9,579,675)</u>	<u>(499,425)</u>
Net Change in Fund Balance	<u>(1,239,266)</u>	<u>(1,906,267)</u>	<u>(810,149)</u>	<u>1,096,118</u>
Fund Balance at Beginning of Year	<u>8,381,760</u>	<u>8,381,760</u>	<u>8,381,760</u>	<u>0</u>
<b>Fund Balance at End of Year</b>	<u>\$ 7,142,494</u>	<u>\$ 6,475,493</u>	<u>\$ 7,571,611</u>	<u>\$ 1,096,118</u>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**STREET CONSTRUCTION, MAINTENANCE, AND REPAIR FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Municipal Income Taxes	\$ 2,850,000	\$ 2,770,000	\$ 2,732,770	\$ (37,230)
Intergovernmental Revenue	1,620,000	1,720,000	1,723,805	3,805
Charges for Services	10,000	0	0	0
Interest Income	16,000	15,000	14,262	(738)
Miscellaneous	0	23,000	22,859	(141)
<b>Total Revenues</b>	<u>4,496,000</u>	<u>4,528,000</u>	<u>4,493,696</u>	<u>(34,304)</u>
<b>Expenditures</b>				
Current:				
Transportation	8,503,800	9,106,600	8,314,180	792,420
Capital Outlay	0	121,900	105,807	16,093
<b>Total Expenditures</b>	<u>8,503,800</u>	<u>9,228,500</u>	<u>8,419,987</u>	<u>808,513</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,007,800)</u>	<u>(4,700,500)</u>	<u>(3,926,291)</u>	<u>774,209</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	4,800	7,472	2,672
Transfers In	3,500,000	3,911,000	3,911,000	0
<b>Total Other Financing Sources (Uses)</b>	<u>3,500,000</u>	<u>3,915,800</u>	<u>3,918,472</u>	<u>2,672</u>
Net Change in Fund Balance	(507,800)	(784,700)	(7,819)	776,881
Fund Balance at Beginning of Year	<u>2,450,645</u>	<u>2,450,645</u>	<u>2,450,645</u>	<u>0</u>
<b>Fund Balance at End of Year</b>	<u>\$ 1,942,845</u>	<u>\$ 1,665,945</u>	<u>\$ 2,442,826</u>	<u>\$ 776,881</u>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**FIRE LEVY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Property Taxes	\$ 4,120,060	\$ 4,202,271	\$ 4,239,487	\$ 37,216
Intergovernmental Revenues	461,070	550,865	550,801	(64)
Charges for Services	500	100	41	(59)
Fees, Licenses, and Permits	1,500	1,700	1,185	(515)
Miscellaneous	0	1,100	2,030	930
<b>Total Revenues</b>	<u>4,583,130</u>	<u>4,756,036</u>	<u>4,793,544</u>	<u>37,508</u>
<b><u>Expenditures</u></b>				
Current:				
Security of Persons and Property	6,968,000	6,841,400	6,552,901	288,499
Capital Outlay	16,000	16,000	12,500	3,500
<b>Total Expenditures</b>	<u>6,984,000</u>	<u>6,857,400</u>	<u>6,565,401</u>	<u>291,999</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,400,870)</u>	<u>(2,101,364)</u>	<u>(1,771,857)</u>	<u>329,507</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Refund of Prior Year Expenditures	0	100	50	(50)
Transfers In	2,100,000	2,100,000	2,100,000	0
<b>Total Other Financing Sources (Uses)</b>	<u>2,100,000</u>	<u>2,100,100</u>	<u>2,100,050</u>	<u>(50)</u>
Net Change in Fund Balance	(300,870)	(1,264)	328,193	329,457
Fund Balance at Beginning of Year	<u>824,660</u>	<u>824,660</u>	<u>824,660</u>	<u>0</u>
<b>Fund Balance at End of Year</b>	<u>\$ 523,790</u>	<u>\$ 823,396</u>	<u>\$ 1,152,853</u>	<u>\$ 329,457</u>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2010**

	Business-Type Activities Sanitary Sewer Fund	Governmental Activities Internal Service Fund
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$ 2,896,202	\$ 846,757
Accounts Receivable	1,820,226	0
Special Assessments Receivable	605,508	0
Inventory	1,047	0
<b>Total Current Assets</b>	<b><u>5,322,983</u></b>	<b><u>846,757</u></b>
<b><u>Noncurrent Assets</u></b>		
Land and Construction in Progress	1,534,313	0
Depreciable Capital Assets, Net	48,795,205	0
<b>Total Noncurrent Assets</b>	<b><u>50,329,518</u></b>	<b><u>0</u></b>
<b>TOTAL ASSETS</b>	<b><u>55,652,501</u></b>	<b><u>846,757</u></b>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	28,832	0
Contract Payable	9,264	0
Retainage Payable	587	0
Accrued Wages and Benefits	34,364	0
Due to Other Governments	87,318	299,264
Compensated Absences Payable	127,677	0
Claims Payable	0	97,180
Ohio Water Development Authority Loans Payable	163,793	0
<b>Total Current Liabilities</b>	<b><u>451,835</u></b>	<b><u>396,444</u></b>
<b><u>Noncurrent Liabilities</u></b>		
Compensated Absences Payable	36,221	0
Claims Payable	0	450,313
Ohio Water Development Authority Loans Payable	2,650,707	0
<b>Total Noncurrent Liabilities</b>	<b><u>2,686,928</u></b>	<b><u>450,313</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>3,138,763</u></b>	<b><u>846,757</u></b>
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets, Net of Related Debt	47,515,018	0
Unrestricted	4,998,720	0
<b>TOTAL NET ASSETS</b>	<b><u>\$ 52,513,738</u></b>	<b><u>\$ 0</u></b>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Business-Type Activities Sanitary Sewer Fund</u>	<u>Governmental Activities Internal Service Fund</u>
<b><u>Operating Revenues</u></b>		
Charges for Services	\$ 5,691,848	\$ 486,400
<b>Total Operating Revenues</b>	<u>5,691,848</u>	<u>486,400</u>
<b><u>Operating Expenses</u></b>		
Materials and Supplies	150,939	0
Wages and Benefits	1,241,736	0
Utilities	1,651	0
Contractual Services	1,947,334	0
Workers' Compensation Claims	0	486,400
Maintenance	181,032	0
Depreciation	2,351,134	0
Other Expenses	<u>392,847</u>	<u>0</u>
<b>Total Operating Expenses</b>	<u>6,266,673</u>	<u>486,400</u>
Income (Loss) from Operations	<u>(574,825)</u>	<u>0</u>
<b><u>Non-Operating Revenues (Expenses)</u></b>		
Intergovernmental	28,350	0
Interest and Fiscal Charges	<u>(168,972)</u>	<u>0</u>
<b>Total Non-Operating Expenses</b>	<u>(140,622)</u>	<u>0</u>
Loss before Capital Contributions and Transfers	(715,447)	0
Capital Contributions	605,508	0
Transfers Out	<u>(650,000)</u>	<u>0</u>
Change in Net Assets	(759,939)	0
Net Assets at Beginning of Year	<u>53,273,677</u>	<u>0</u>
<b>Net Assets at End of Year</b>	<u>\$52,513,738</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Business-Type Activities Sanitary Sewer Fund</u>	<u>Governmental Activities Internal Service Fund</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received from Customers and Users	\$ 5,558,607	\$ 486,400
Cash Received from Other Operating Activities	0	6,587
Cash Paid to Employees	(1,246,222)	0
Cash Paid to Suppliers for Goods and Services	<u>(2,623,732)</u>	<u>(518,291)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>1,688,653</u>	<u>(25,304)</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>		
Transfers Out	<u>(650,000)</u>	0
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(650,000)</u>	<u>0</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Proceeds for Long Term Debt	544,038	0
Purchase of Capital Assets	(152,490)	0
Intergovernmental Grant	28,350	0
Principal Paid on Long-Term Debt	(985,266)	0
Interest Paid on Long-Term Debt	<u>(168,972)</u>	<u>0</u>
<b>Net Cash Provided by (Used) for Capital and Related Financing Activities</b>	<u>(734,340)</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	304,313	(25,304)
Cash and Cash Equivalents at Beginning of Year	<u>2,591,889</u>	<u>872,061</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,896,202</u>	<u>\$ 846,757</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u></b>		
Operating Income (Loss)	\$ (574,825)	\$ 0
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation	2,351,134	0
(Increase) Decrease in Assets:		
Receivables	(133,241)	0
Inventory	183	0
Increase (Decrease) in Liabilities:		
Accounts Payable	(1,176)	0
Accrued Wages and Benefits	(13,738)	0
Compensated Absences Payable	10,973	0
Claims Payable	0	9,457
Intergovernmental Payable	49,343	(34,761)
Total Adjustments	<u>2,263,478</u>	<u>(25,304)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 1,688,653</u>	<u>\$ (25,304)</u>

**Summary of Non-Cash Capital and Related Financing Activities**

During the year, the City recorded special assessments receivable in the amount of \$605,508. These special assessments will be used to retire debt associated with the Webster Road Sanitary Sewer Project.

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2010**

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	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$ 271,527
Cash in Segregated Accounts	<u>53,684</u>
<b>Total Assets</b>	<b><u>\$ 325,211</u></b>
<b><u>Liabilities</u></b>	
Deposits Held and Due to Others	<u>\$ 325,211</u>
<b>Total Liabilities</b>	<b><u>\$ 325,211</u></b>

See accompanying notes to the basic financial statements.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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NOTE 1: **REPORTING ENTITY**

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

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

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

Also, the City is associated with Southwest General Health Center which is a jointly governed organization as described in Note 15.

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

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

A. **Basis of Presentation**

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

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



**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

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

**Government-wide Financial Statements** (Continued)

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

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

B. **Fund Accounting**

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

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

B. **Fund Accounting** (Continued)

**Governmental Funds** (Continued)

- *General Fund* - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Strongsville and/or the general laws of Ohio.
- *Street Construction, Maintenance, and Repair (SCMR) Fund* - This fund is required by the Ohio Revised Code to account for that portion of the state gasoline tax and motor vehicle registration fees restricted for maintenance of streets within the City.
- *Fire Levy Fund* - This fund is used to account for accumulated property taxes levied for the payment of salaries and related expenditures for the safety force.
- *General Bond Retirement Fund* - The General Bond Retirement Fund accounts for the accumulation of resources used for the payment of principal and interest and fiscal charges on general obligation debt.
- *General Capital Improvement Fund* - This fund accounts for the resources used to construct, equip and furnish various departments throughout the City.
- *Pearl Road Capital Improvement Fund* - This fund accounts for the resources used to construct Pearl Road Improvements.

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

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

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

B. **Fund Accounting** (Continued)

**Proprietary Funds** (Continued)

*Internal Service Funds* - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's only internal service fund is the Workers' Compensation Reserve Fund. This fund accounts for the accumulation of funds to pay workers' compensation claims.

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

C. **Measurement Focus**

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

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

C. **Measurement Focus** (Continued)

**Fund Financial Statements** (Continued)

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

D. **Basis of Accounting**

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

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

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

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

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

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

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

Property taxes and Tax Increment Financing (TIF) revenues for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

**E. Pooled Cash and Cash Equivalents**

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

During 2010, the portfolio of the City was limited to nonparticipating interest-earning investment contracts (e.g., Certificates of Deposit and Repurchase Agreements). Nonparticipating investment contracts such as Certificates of Deposit and Repurchase Agreements are reported at cost.

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

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$99,786, which includes \$73,639 assigned from other City funds.

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

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

**F. Receivables**

Receivables at December 31, 2010, consist of taxes, amounts due from other governments, accounts (billings for user charged services), and special assessments. All are deemed collectible in full.

**G. Inventory**

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

G. **Inventory** (Continued)

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

Inventory consists of expendable supplies held for consumption.

H. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. **Capital Assets**

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

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

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

I. **Capital Assets** (Continued)

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

J. **Interfund Balances**

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

K. **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Leave time that has been earned but is unavailable for use as paid time off, or as some other form of compensation, because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that conditions for compensation will be met in the future.

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation and sick leave at different rates depending upon length of service and type of employment. Vacation leave is recognized when earned. All full-time City employees earn vacation at varying rates based upon length of service. An employee’s vacation leave balance will carry over into the next fiscal year if it is not used. Upon retirement, termination, lay-off or death, employees are paid accumulated vacation leave. Sick leave may accrue with various limits based upon contracts. Upon retirement, an employee with at least fifteen years of continuous service is paid one-half (½) of his or her accumulated sick leave, based on their contract agreements.



**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

K. **Compensated Absences** (Continued)

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

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

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

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

M. **Fund Balance Reserves**

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

N. **Net Assets**

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

The government-wide statement of net assets reports \$16,563,040 of restricted net assets, none of which is restricted by enabling legislation. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. **Grants and Intergovernmental Revenues**

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

P. **Operating Revenues and Expenses**

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

Q. **Contributions of Capital**

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

**R. Interfund Activity**

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

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

**T. Estimates**

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

**U. Budgetary Data**

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

U. **Budgetary Data** (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2010.

*Encumbrances* - Encumbrances outstanding at year end represent the estimated amount of expenditures that will ultimately result if unperformed contracts in process (for example, purchase orders and contracted services) are completed. Encumbrances outstanding at year end are reported as reservations of fund balances for subsequent year expenditures in the governmental funds. The City had no outstanding encumbrances at December 31, 2010.

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

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2010, the City implemented GASB Statements No. 51, *Accounting and Financial Reporting for Intangible Assets*, No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

GASB Statement No. 51 improves the quality of financial reporting by reducing inconsistencies that have developed in accounting and financial reporting for intangible assets.

GASB Statement No. 53 improves the quality of financial reporting by requiring governments to measure derivative instruments, with the exception of synthetic guaranteed investment contract that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements.

GASB Statement No. 58 improves the quality of financial reporting by providing more consistent recognition measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy.

The implementation of the aforementioned GASB Statements did not affect the presentation of the financial statements of the City.

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**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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**NOTE 4: BUDGETARY BASIS OF ACCOUNTING**

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

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

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

Net Changes in Fund Balance  
General and Major Special Revenue Funds

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	<u>General</u>	Street Construction, Maintenance and Repair	<u>Fire Levy</u>
GAAP Basis	\$ 191,807	\$ 21,128	\$ 361,099
Net Adjustment for Revenue Accruals	328,726	(64,623)	1,832
Net Adjustment for Expenditure Accruals	<u>(1,330,682)</u>	<u>35,676</u>	<u>(34,738)</u>
Budget Basis	<u>\$ (810,149)</u>	<u>\$ (7,819)</u>	<u>\$ 328,193</u>

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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NOTE 5: **DEPOSITS AND INVESTMENTS**

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

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

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

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

1. United States Treasury notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) and (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasury Asset Reserve of Ohio (STAR Ohio).

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

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

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

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



**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

A. **Cash on Hand**

At December 31, 2010, the City had \$9,895 in undeposited cash on hand, which is included on the balance sheet of the City as part of “Equity in Pooled Cash and Cash Equivalents.”

B. **Deposits**

At December 31, 2010, the carrying amount of the City’s deposits was \$26,985,880 (including \$10,745,000 in certificates of deposit and \$53,684 in cash in segregated accounts of the court). Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2010, \$17,749,013 of the City’s bank balance of \$27,730,069 was covered by Federal Depository Insurance and \$9,981,056 was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the City’s name.

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

C. **Investments**

The City has a formal investment policy. The City follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. As of December 31, 2010, the City had \$4,950,000 in a repurchase agreement. This repurchase agreement will mature in less than one year.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

**D. Interest Rate Risk**

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

**E. Credit Risk**

The City has no investment policy that would further limit its investment choices other than the limitations imposed by the Ohio Revised Code. As of December 31, 2010, the City's only investment was in repurchase agreement. The repurchase agreement's underlying security is explicitly guaranteed by the U.S. Government.

**F. Custodial Credit Risk**

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

**G. Concentration of Credit Risk**

The City places no limit on the amount it may invest in any one issuer. As of December 31, 2010, a repurchase agreement was the City's only investment.

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments reported on the statement of net assets as of December 31, 2010.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

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

**Cash and Investments per Footnote**

Carrying Amount of Deposits	\$ 26,985,880
Investment	4,950,000
Cash on Hand	9,895
<b>Total Cash and Investments per Footnote</b>	<b><u>\$ 31,945,775</u></b>

**Cash and Investments per Statement of Net Assets**

Governmental Activities	\$ 28,724,362
Business-Type Activities	2,896,202
Agency Funds	325,211
<b>Total Cash and Investments per Statement of Net Assets</b>	<b><u>\$ 31,945,775</u></b>

NOTE 6: **RECEIVABLES**

Receivables at December 31, 2010, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts (billing for utility services). No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

**A. Property Taxes**

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values for real property are established by State law at 35 percent of appraised market value. All property is required to be reevaluated every six years. The latest revaluation was completed in 2006. Public utility real and tangible personal property tax collected in one calendar year is levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Public utility tangible personal property currently is assessed by varying percentages of true value; public utility real property taxes are assessed at 35 percent of true value. 2010 public utility property taxes which became a lien at December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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NOTE 6: **RECEIVABLES** (Continued)

A. **Property Taxes** (Continued)

The 2009 assessed value upon which the 2010 tax receipts were based on was \$1,424,815,490. The full tax rate for all City operations applied to taxable property for the year ended December 31, 2010, was \$9.9 per \$1,000 of assessed valuation.

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

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

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

B. **Municipal Income Taxes**

The City's municipal income tax of 2.0 percent is levied on gross salaries, wages and other personal service compensation earned by residents both in and out of the City and on the earnings of nonresidents (except certain transients) earned in the City. This tax also applies to net income of business organizations within the City. Residents of the City are granted a 75 percent credit up to 2.0 percent of the income taxes paid to another municipality.

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 first 1.50 percent of the total of 2.00 percent of the City income tax is restricted in its use for street construction and road surface maintenance and is included in the special revenue funds. All other income tax proceeds are included in the General Fund.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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NOTE 6: **RECEIVABLES** (Continued)

**C. Special Assessments**

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

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

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

At December 31, 2010, governmental activities reported a special assessment receivable in the amount of \$1,195,529 which includes delinquent special assessments of \$41,189.

**D. Intergovernmental Receivables**

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Government Activities:	
Local Government	\$ 592,838
Estate Tax	76,256
Homestead and Rollback	498,162
Gasoline Tax	752,758
Public Utility Reimbursement	53,391
Muni Tax HB 483 and Commercial Activity Tax	220,794
TIF	889,904
OPWC	155,850
ODOT	522,930
Other	111,330
Total Intergovernmental Receivables	<u>\$ 3,874,213</u>

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

NOTE 6: **RECEIVABLES** (Continued)

E. **Payments in Lieu of Taxes**

According to State law, the City has established two tax incremental financing districts within the City, under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments would generally reflect all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the cost of the improvement has been paid or the agreement expires, whichever comes first. Future development by these owners to others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the cost of the improvements to a larger number of property owners.

NOTE 7: **INTERFUND TRANSACTIONS**

A. **Interfund Transfers**

As of December 31, 2010, interfund transfers were as follows:

<u>Transfer to:</u>	Transfer From		<u>Total</u>
	General Fund	Sanitary Sewer Fund	
Street Construction, Maintenance, and Repair Fund	\$ 3,911,000	\$ 0	\$ 3,911,000
Fire Levy Fund	2,100,000	0	2,100,000
General Bond Retirement Fund	216,250	650,000	866,250
Nonmajor Governmental Funds	3,123,000	0	3,123,000
<b>Total Interfund Transfers</b>	<b>\$ 9,350,250</b>	<b>\$ 650,000</b>	<b>\$10,000,250</b>

Transfers made from the General Fund to various fund provided additional resources for current operations. The transfer from the Sanitary Sewer Fund to the General Bond Retirement Fund was made to fund debt service payments related to Sanitary Sewer projects.

B. **Interfund Receivables and Payables**

As of December 31, 2010, the interfund receivable and payable was as follows:

	Receivable	Payable
<b>Governmental Funds:</b>		
General	\$ 500,000	\$ 0
Pearl Road Capital Improvement	0	500,000
Total	\$ 500,000	\$ 500,000

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

**NOTE 8: CAPITAL ASSETS**

A summary of changes in capital assets during 2010 follows:

	Balance 12/31/2009	Additions	Disposals	Balance 12/31/2010
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 7,393,905	\$ 0	\$ 0	\$ 7,393,905
Construction in Progress	14,273,348	10,593,495	(1,211,026)	23,655,817
<i>Total Capital Assets Not Being Depreciated</i>	<u>21,667,253</u>	<u>10,593,495</u>	<u>(1,211,026)</u>	<u>31,049,722</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	39,730,236	85,379	0	39,815,615
Land Improvements	2,125,526	60,000	0	2,185,526
Machinery and Equipment	2,919,971	455,694	0	3,375,665
Furniture and Fixtures	758,616	208,276	0	966,892
Vehicles	11,516,456	413,614	(118,211)	11,811,859
Infrastructure:				
Streets	157,191,343	231,085	0	157,422,428
Storm Sewers	75,783,478	797,572	0	76,581,050
Sidewalks	7,649,377	0	0	7,649,377
Traffic Signalization	4,915,810	0	0	4,915,810
<i>Total Capital Assets Being Depreciated</i>	<u>302,590,813</u>	<u>2,251,620</u>	<u>(118,211)</u>	<u>304,724,222</u>
<b>Total Capital Assets at Cost</b>	<u>324,258,066</u>	<u>12,845,115</u>	<u>(1,329,237)</u>	<u>335,773,944</u>
Less Accumulated Depreciation:				
Buildings	(7,493,119)	(738,273)	0	(8,231,392)
Land Improvements	(1,024,758)	(81,278)	0	(1,106,036)
Machinery and Equipment	(1,902,200)	(286,349)	0	(2,188,549)
Furniture and Fixtures	(363,872)	(63,843)	0	(427,715)
Vehicles	(8,103,087)	(954,888)	104,120	(8,953,855)
Infrastructure:				
Streets	(81,496,481)	(4,504,452)	0	(86,000,933)
Storm Sewers	(32,203,193)	(1,443,870)	0	(33,647,063)
Sidewalks	(4,517,299)	(239,564)	0	(4,756,863)
Traffic Signalization	(1,234,577)	(186,800)	0	(1,421,377)
<b>Total Accumulated Depreciation</b>	<u>(138,338,586)</u>	<u>(8,499,317)*</u>	<u>104,120</u>	<u>(146,733,783)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>164,252,227</u>	<u>(6,247,697)</u>	<u>(14,091)</u>	<u>157,990,439</u>
<b>Total Governmental Activities Capital Assets, Net</b>	<u>\$185,919,480</u>	<u>\$ 4,345,798</u>	<u>\$ (1,225,117)</u>	<u>\$ 189,040,161</u>

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

Security of Persons and Property	\$ 935,582
Leisure Time Activities	613,535
Transportation	6,720,261
General Government	198,953
Community Environment	30,986
<b>Total Depreciation Expense</b>	<u>\$ 8,499,317</u>

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

A summary of changes in capital assets during 2010 follows:

	Balance 12/31/2009	Additions	Disposals	Balance 12/31/2010
<b><u>Business-Type Activities</u></b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 1,508,079	\$ 0	\$ 0	\$ 1,508,079
Construction in Progress	1,528,708	26,292	(1,528,766)	26,234
<i>Total Capital Assets Not Being Depreciated</i>	<u>3,036,787</u>	<u>26,292</u>	<u>(1,528,766)</u>	<u>1,534,313</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	9,892,551	0	0	9,892,551
Land Improvements	3,852,402	0	0	3,852,402
Machinery and Equipment	8,735,561	0	0	8,735,561
Furniture and Fixtures	19,748	0	0	19,748
Vehicles	1,592,547	22,097	0	1,614,644
Infrastructure:				
Sanitary Sewer	95,773,367	1,528,766	0	97,302,133
<i>Total Capital Assets Being Depreciated</i>	<u>119,866,176</u>	<u>1,550,863</u>	<u>0</u>	<u>121,417,039</u>
<i>Total Capital Assets at Cost</i>	<u>122,902,963</u>	<u>1,577,155</u>	<u>(1,528,766)</u>	<u>122,951,352</u>
Less Accumulated Depreciation:				
Buildings	(4,760,303)	(187,960)	0	(4,948,263)
Land Improvements	(3,609,644)	(2,950)	0	(3,612,594)
Machinery and Equipment	(7,636,173)	(91,134)	0	(7,727,307)
Furniture and Equipment	(18,762)	0	0	(18,762)
Vehicles	(934,727)	(224,245)	0	(1,158,972)
Infrastructure:				
Sanitary Sewer	(53,311,091)	(1,844,845)	0	(55,155,936)
<i>Total Accumulated Depreciation</i>	<u>(70,270,700)</u>	<u>(2,351,134)</u>	<u>0</u>	<u>(72,621,834)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>49,595,476</u>	<u>(800,271)</u>	<u>0</u>	<u>48,795,205</u>
<b>Total Business-Type Capital Assets, Net</b>	<u>\$ 52,632,263</u>	<u>\$ (773,979)</u>	<u>\$ (1,528,766)</u>	<u>\$ 50,329,518</u>

NOTE 9: **RISK MANAGEMENT**

A. **Commercial Insurance**

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

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2010, the City contracted with one company for various types of insurance as follows:



**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

A. **Commercial Insurance** (Continued)

Company	Type of Coverage	Coverage Limits		Deductible
		Per Occurrence	Aggregate	
HCC Insurance	Commercial and Personal Property Coverage (includes Boiler and Machinery coverage)	\$ 82,401,036	\$	\$ 1,000
	Ancillary Equipment (Rented)	150,000		1,000
	Earthquake Damage	5,000,000		50,000
	Flood Damage	500,000		50,000
	Inland Marine	5,555,481		1,000
	Crime Coverage			
	Theft, Disappearance, and Destruction	25,000		250
	Employee Dishonesty	50,000		250
	Forgery and Alteration	25,000		250
	Computer Fraud	50,000		250
	Comprehensive General Liability	1,000,000	3,000,000	0
	Employee Benefits Liability	1,000,000	3,000,000	1,000
	Stop Gap	1,000,000		0
	Public Officials Liability	1,000,000	1,000,000	10,000
	Police Professional Liability	1,000,000	1,000,000	5,000
	Property Liability	50,000		0
	Medical Expense Liability	10,000		0
	Pesticide/Herbicide Liability	25,000	25,000	0
	Cemetery Professional Liability	Included		Included
	EMT/Paramedic Malpractice Liability	Included		Included
	Sewer Liability	Included		Included
	Certified Acts of Terrorism	Included		Included
	Automobile Liability and Physical Damage Coverage	1,000,000		0
	Auto Liability Comprehensive -			
	Fire Vehicles	Replacement Cost		250
	Other Vehicles	Actual Cash Value		250
	Auto Liability Collision -			
	Fire Vehicles	Replacement Cost		1,000
	Other Vehicles	Actual Cash Value		1,000
	Medical Payments	5,000		0
	Hired or Borrowed Vehicle Rentals	50,000		250
	Miscellaneous			
	Electronic Data Processing	1,471,132		1,000
	Umbrella Coverage	10,000,000		10,000

In addition to the above coverage, the City has contracted with HCC Holdings, Inc. Insurance Group to carry blanket catastrophic excess liability insurance in the amount of \$5,000,000. The umbrella policy was acquired to cover losses which exceed the primary coverage limits.

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

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

As of December 31, 2010, the City completed its fifth consecutive year of participating with the Ohio Bureau of Workers' Compensation (Bureau) Retrospective Rating Plan. The self insurance program requires the City to pay only administrative and minimum premium charges to the Bureau and, in turn, the City reimburses the Bureau for all claim costs incurred during the policy period for up to ten years. At the tenth year, the Bureau actuarially determines the expected future cost of any ten-year-old claim that is still active, and bills the City. The Bureau then assumes all future liability for the claim. Active management of each claim, from inception, offers the City the opportunity to reduce the cost of each claim. For 2010, 2009, and 2008, the maximum individual claim cost was \$300,000, \$300,000, and \$300,000, respectively, and the maximum aggregate claim cost was \$1,324,906, \$1,461,716, and \$1,363,521, respectively. The retrospective rating minimum premium due from the City in 2010, 2009, and 2008 was \$299,264, \$329,349, and \$338,546, respectively. This resulted in considerable savings from the experience rated premium of \$742,276, \$817,985, and \$846,197 for 2010, 2009, and 2008, respectively.

NOTE 10: **PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, the members of all three plans were required to contribute 10.00 percent of their annual covered salaries. The City's contribution rate of 14.00 percent was allocated to fund pension benefits for members of the Traditional Plan and the Combined Plan. The pension allocation for the Traditional Plan was 8.50 percent from January 1 through February 28, 2010 and 9.00 percent from March 1 through December 31, 2010. The pension allocation for the Combined Plan was 9.27 percent from January 1 through February 28, 2010 and 9.77 percent from March 1 through December 31, 2010. The City's required pension contributions for the Traditional Pension and Combined plans for the years ended December 31, 2010, 2009, and 2008 were \$880,536, \$862,856, and \$762,856, respectively; 100 percent has been contributed for 2010, 2009 and 2008.

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

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

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

Plan members are required to contribute 10.00 percent of their annual covered salary, while the City is required to contribute 19.50 percent and 24.0 percent for police officers and firefighters, respectively. The portion of the City's contributions to fund pension obligations was 12.75 percent for police officers and 17.25 percent for firefighters. The City's contributions for pension obligations to the OP&F for police and firefighters were \$696,232 and \$811,840 for the year ended December 31, 2010, \$731,106 and \$866,840 for the year ended December 31, 2009, and \$692,906 and \$837,528 for the year ended December 31, 2008. The full amount has been contributed for 2010, 2009 and 2008.

NOTE 11: **POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

*Plan Description* - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan is a defined contribution plan; and the Combined Plan is a cost-sharing, multiple-employer defined pension plan that has elements of both a defined benefit and a defined contribution plan.

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

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

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

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

*Funding Policy* - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. The 2010 local government employer contribution rate was 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for local government employers. Active members do not make contributions to the OPEB Plan.

OPERS Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.50 percent from January 1 through February 28, 2010 and 5.00 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual employer contributions for December 31, 2010, 2009 and 2008 which were used to fund post-employment benefits were \$508,415, \$623,199, and \$762,856, respectively; 96.29 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

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

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

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

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

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

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

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

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 Trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of the Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$368,593 and \$317,677 for the year ended December 31, 2010, \$387,056 and \$339,146 for the year ended December 31, 2009, and \$366,832 and \$327,728 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 96.49 percent has been contributed for police and 96.28 percent has been contributed for firefighters for 2010.

NOTE 12: **DEBT ACTIVITY**

**A. Notes Payable**

The City's note activity, including the amount outstanding and the interest rate, is as follows:

	<u>Balance</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2010</u>
Street Improvement Note, Series 2010 - 1.50%	\$ 0	\$ 5,000,000	\$ 0	\$ 5,000,000
Unamortized Note Premium	0	41,458	0	41,458
Total	<u>\$ 0</u>	<u>\$ 5,041,458</u>	<u>\$ 0</u>	<u>\$ 5,041,458</u>

In 2010, the City issued \$5,000,000 in Street Improvement bond anticipation notes for the improvement of streets throughout the City. These notes mature on November 3, 2011. As of December 31, 2010, the City has used \$100,000 of the proceeds for repairs and maintenance of City streets. The remaining \$4,900,000 will be spent in the subsequent period.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

**NOTE 12: DEBT ACTIVITY**

**A. Notes Payable (Continued)**

The notes are backed by the full faith and credit of the City and mature within one year. The note liability is reflected in the fund which received the proceeds. The premium and issuance costs are recorded in the General Bond Retirement Fund as directed by the official statement.

**B. Long-Term Obligations**

Changes in the long-term obligations of the City during 2010 were as follows:

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Amounts Due in One Year
<b>Governmental Activities:</b>					
<i>General Obligation Bonds</i>					
Variable Rate (4.0% in 1994 to 6.0% in 2014), \$1,395,000-1994 Various Purpose Improvement Bonds-due through 2014	\$ 80,000	\$ 0	\$ (15,000)	\$ 65,000	\$ 15,000
Variable Rate (3% in 2002 to 3.5% in 2006), \$7,190,000 Library Improvement Bonds due through 2020	4,680,000	0	(335,000)	4,345,000	350,000
Variable Rate (3% in 2002 to 4% in 2007), 2002 \$1,775,000-Fire Station Bonds-due through 2021	1,665,000	0	(15,000)	1,650,000	15,000
Variable Rate (3% in 2002 to 5% in 2021), \$13,910,000 refunded 1992 and 1996 Various Purpose Improvement Bonds due through 2021	9,815,000	0	(640,000)	9,175,000	660,000
Variable Rate (3% in 2002 to 4% in 2007), \$870,000 Fire Truck Acquisition Bonds due through 2011	260,000	0	(125,000)	135,000	135,000
Variable Rate (3% in 2002 to 4% in 2007), \$650,000 Communications Equipment Acquisition Bonds due through 2016	520,000	0	(20,000)	500,000	20,000
Variable Rate (3% in 2002 to 4% in 2007), \$455,000 Service Center Expansion Bond-due through 2021	390,000	0	(10,000)	380,000	10,000
Variable Rate (3% in 2005 to 5% in 2015), \$6,685,000 2005 Various Purpose Improvement Bond, due through 2025	5,490,000	0	(485,000)	5,005,000	335,000
Variable Rate (3.75% in 2006 to 4% in 2015), \$11,740,000 2006 Various Purpose Improvement Bonds, due through 2026	10,775,000	0	(410,000)	10,365,000	530,000
Variable Rate (2.50% in 2009 to 4.625% in 2034), 2009 \$16,450,000 Various Purpose Improvement Bonds, due through 2034	16,450,000	0	(40,000)	16,410,000	40,000
Variable Rate (2.25% through 2.50%), 2009 Refunding of 1997 Bonds, due through 2014	910,000	0	(170,000)	740,000	175,000
Variable Rate (1.50% in 2009 to 5.00% in 2029), 2009 \$7,000,000 Street Improvement Bonds, due through 2029	7,000,000	0	(25,000)	6,975,000	50,000
<b>Total General Obligation Bonds</b>	<b>58,035,000</b>	<b>0</b>	<b>(2,290,000)</b>	<b>55,745,000</b>	<b>2,335,000</b>



**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

NOTE 12: **DEBT ACTIVITY** (Continued)

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

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Amounts Due in One Year
<b>Governmental Activities:</b> (Continued)					
<i>OPWC Loan</i>					
Ohio Public Works Commission - 0% 1995, \$218,938 Note due through 2015	60,208	0	(60,208)	0	0
Ohio Public Works Commission - 0% 1996, \$90,900 Note due through 2016	27,269	0	(27,269)	0	0
Ohio Public Works Commission- 0% 1998, \$67,476 Note due through 2017	25,303	0	(25,303)	0	0
Ohio Public Works Commission 0% 1999, \$11,817 Note due through 2020	5,908	0	(5,908)	0	0
<i>Total OPWC Loans</i>	<u>118,688</u>	<u>0</u>	<u>(118,688)</u>	<u>0</u>	<u>0</u>
<i>Special Assessment Bonds</i>					
Various Purpose Improvement Bonds - 1994, \$1,170,000 (4.0% in 1994 to 6.0% in 2014) due through 2014	415,000	0	(70,000)	345,000	80,000
Various Purpose Improvement Bonds - 1996, \$1,255,000, 5.7% due through 2016	595,000	0	(70,000)	525,000	75,000
Various Purpose Improvement Bonds - 1998, \$305,000, (4.55% in 1998 to 5.50% in 2018) due through 2018	180,000	0	(15,000)	165,000	15,000
<i>Total Special Assessment Bonds</i>	<u>1,190,000</u>	<u>0</u>	<u>(155,000)</u>	<u>1,035,000</u>	<u>170,000</u>
<i>Other Liabilities</i>					
Compensated Absences	3,115,256	1,539,132	(1,401,865)	3,252,523	1,463,635
Workers' Compensation Claims	538,036	527,748	(518,291)	547,493	97,180
Unamortized Bond Premiums	793,655	0	(39,966)	753,689	0
<i>Total Other Liabilities</i>	<u>4,446,947</u>	<u>2,066,880</u>	<u>(1,960,122)</u>	<u>4,553,705</u>	<u>1,560,815</u>
<b>Total Governmental Activities</b>	<u>63,790,635</u>	<u>2,066,880</u>	<u>(4,523,810)</u>	<u>61,333,705</u>	<u>4,065,815</u>

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

NOTE 12: **DEBT ACTIVITY** (Continued)

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

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Amounts Due in One Year
<b>Business-Type Activities:</b>					
<i>Enterprise Fund Debt - Sewer</i>					
<i>OWDA Loans</i>					
Ohio Water Development Authority, 10.54% \$7,315,971 1984 Loan due through 2011	\$ 759,895	\$ 0	\$ (759,895)	\$ 0	\$ 0
Ohio Water Development Authority, 4.77% \$948,523 2002 Loan due through 2022	690,496	0	(41,706)	648,790	43,689
Ohio Water Development Authority, 3.39% \$544,038 2010 Loan due through 2030	0	544,038	(9,618)	534,420	19,728
Ohio Water Development Authority, 4.4% \$2,259,707 2003 Loan due through 2023	1,727,391	0	(96,101)	1,631,290	100,376
<b>Total OWDA Loans</b>	<u>3,177,782</u>	<u>544,038</u>	<u>(907,320)</u>	<u>2,814,500</u>	<u>163,793</u>
Ohio Public Works Commission, 0% \$283,455 1995 Note due through 2015	77,946	0	(77,946)	0	0
<b>Total Enterprise Fund Debt - Sewer</b>	<u>3,255,728</u>	<u>544,038</u>	<u>(985,266)</u>	<u>2,814,500</u>	<u>163,793</u>
<i>Other Liabilities:</i>					
Compensated Absences	152,925	130,102	(119,129)	163,898	127,677
<b>Total Business-Type Activities</b>	<u>3,408,653</u>	<u>674,140</u>	<u>(1,104,395)</u>	<u>2,978,398</u>	<u>291,470</u>
<b>Total Long-Term Liabilities</b>	<u>\$67,199,288</u>	<u>\$ 2,741,020</u>	<u>\$(5,628,205)</u>	<u>\$64,312,103</u>	<u>\$ 4,357,285</u>

On November 15, 2010, the City secured a loan from the Ohio Water Development Authority in the amount of \$544,038 with an annual interest rate of 3.39 percent. This loan was obtained to pay the residents share of the construction costs associated with the installation of 7,900 linear feet of sanitary sewer and appurtenances to facilitate Blazey Trail, Ruth Drive, Janette Avenue and a portion of Webster Road. This project eliminated 120 septic systems within the City, 80 percent of which have failed tests performed by the Cuyahoga County Board of Health. This loan will be repaid from the proceeds of special assessments levied against the property owners that benefitted from this project.

OWDA loans will be paid from sewer user charges and special assessments. General obligation bonds will be paid from either the General Bond Retirement or the Pearl Road Tax Increment Fund. Special assessment bonds will be paid from the proceeds of special assessments levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Workers' Compensation claims will be paid from the Workers' Compensation Reserve Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

**Prior Years' Defeasance Debt**

In prior years, the City has defeased general obligation bonds of \$13,910,000 by creating an irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of December 31, 2010, the amount of defeased debt outstanding but removed from governmental activities amounted to \$9,070,000.

**Principal and Interest Requirements**

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2010 are as follows:

Due In	Governmental Activities					
	General Obligation Bonds		Special Assessment Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,335,000	\$ 2,543,358	\$ 170,000	\$ 62,390	\$ 2,505,000	\$ 2,605,748
2012	2,330,000	2,458,441	185,000	51,740	2,515,000	2,510,181
2013	2,430,000	2,359,948	190,000	40,340	2,620,000	2,400,288
2014	2,525,000	2,253,937	205,000	28,615	2,730,000	2,282,552
2015	2,425,000	2,140,142	115,000	16,505	2,540,000	2,156,647
2016-2020	14,635,000	8,857,351	170,000	13,925	14,805,000	8,871,276
2021-2025	13,685,000	5,562,612	0	0	13,685,000	5,562,612
2026-2030	10,550,000	2,397,315	0	0	10,550,000	2,397,315
2031-2035	4,830,000	571,186	0	0	4,830,000	571,186
	<u>\$55,745,000</u>	<u>\$29,144,290</u>	<u>\$1,035,000</u>	<u>\$ 213,515</u>	<u>\$56,780,000</u>	<u>\$29,357,805</u>

  

Due In	Business-Type Activities	
	OWDA Loans	
	Principal	Interest
2011	\$ 163,793	\$ 118,621
2012	171,009	111,405
2013	178,546	103,867
2014	186,418	95,996
2015	194,641	87,773
2016-2020	1,109,913	302,156
2021-2025	654,145	72,410
2026-2030	156,035	13,520
	<u>\$ 2,814,500</u>	<u>\$ 905,748</u>

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

**NOTE 13: CONSTRUCTION COMMITMENTS**

As of December 31, 2010, the City had the following significant commitments with respect to capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>
Pearl Road	\$12,377,991
Police Facility	298,636
Communications and Technology Building Roof	123,183
Drake Road Sanitary Sewer	1,277,746
<b>Total Construction Commitments</b>	<b><u>\$14,077,556</u></b>

**NOTE 14: CONTINGENT LIABILITIES**

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

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

**NOTE 15: JOINTLY GOVERNED ORGANIZATIONS**

**A. Southwest General Health Center**

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

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

The Board exercises total control over the operation of the Health Center including budgeting, appropriating, contracting and designating management. Each City's control is limited to its representation on the Board. In 2010, the City of Strongsville contributed \$318,083 to the Health Center.

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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NOTE 15: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

**B. Regional Council of Governments**

In 1971, thirty-eight municipalities joined together to organize a Regional Council of Governments (RCOG) to administer tax collection and enforcement concerns facing the cities and villages. The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for 187 municipalities throughout the State of Ohio. The City was one of the original members of RCOG.

**C. Southwest Council of Governments**

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The Council's Board is comprised of one member from each of the 16 participating cities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZMAT"), which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau, which provides extra assistance to cities in the form of a SWAT team. In 2010, the City of Strongsville contributed \$13,000 to the Council. The Council's financial statements may be obtained by contacting the Southwest Council of Governments, 6281 Pearl Road, Parma Heights, Ohio.

**D. Northeast Ohio Public Energy Council**

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide

**CITY OF STRONGSVILLE, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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NOTE 15: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

D. **Northeast Ohio Public Energy Council**

electricity to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

NOTE 16: **SUBSEQUENT EVENT**

On December 14, 2010, the City was approved for a loan from the Ohio Water Development Authority in the amount of \$1,030,000 with an annual interest rate of 2.87 percent. This loan was obtained to pay the anticipated residents share of various construction costs located on Greenbriar Drive and a portion of Drake Road. This loan will be repaid from the proceeds of special assessments levied against the property owners that benefitted from this project. To date, the City has not requested any reimbursement from OWDA for this project.

**CITY OF STRONGSVILLE  
CUYAHOGA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Direct Award</i>				
Bulletproof Vest Partnership Program	N/A	16.607	\$4,050	\$0
Total U.S. Department of Justice			<b>4,050</b>	<b>0</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	CUY US 042 00.90	20.205	2,667,403	0
Total U.S. Department of Transportation			<b>2,667,403</b>	<b>0</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Passed Through Cuyahoga County Department of Justice Affairs</i>				
2009 Interoperable Emergency Communications Grant Program	N/A	97.001	0	5,061
<b>Homeland Security Cluster</b>				
2007 Urban Areas Security Initiative	AG0900146-01	97.067	2,782	0
2007 Urban Areas Security Initiative	AG1000171-01	97.067	3,755	0
2008 Urban Areas Security Initiative	N/A	97.067	0	239,785
2007 State Homeland Security Program	N/A	97.067	0	10,124
2008 State Homeland Security Program	N/A	97.067	0	195,952
<b>Total Homeland Security Cluster</b>			<b>6,537</b>	<b>445,861</b>
Total U.S. Department of Homeland Security			<b>6,537</b>	<b>450,922</b>
<b>Total</b>			<b>\$2,677,990</b>	<b>\$450,922</b>

*The accompanying notes are an integral part of this schedule.*

**CITY OF STRONGSVILLE  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 31, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE C – NON-CASH EXPENDITURES**

The City received non-cash federal assistance in the form of equipment passed through the Cuyahoga County Department of Justice Affairs. The City reports the equipment placed into operation on the Schedule at the fair value.

CFDA – Catalog of Federal Domestic Assistance





# Dave Yost • Auditor of State

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

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

To City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Strongsville, Cuyahoga County, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

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

### Compliance and Other Matters

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

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated May 20, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

May 20, 2011



# Dave Yost • Auditor of State

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

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

To the City Council:

### Compliance

We have audited the compliance of the City of Strongsville, Cuyahoga County, Ohio (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City of Strongsville's major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Strongsville complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010.

### Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

May 20, 2011

**CITY OF STRONGSVILLE  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2010**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction Grant – CFDA 20.205, Homeland Security Cluster – CFDA 97.067
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**CITY OF STRONGSVILLE**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 14, 2011**