

City of Lyndhurst, Ohio

December 31, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Lyndhurst, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 12, 2012

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City of Lyndhurst, Ohio

For The Year Ended December 31, 2011

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Independent Auditor's Report

Members of the City Council
Lyndhurst, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lyndhurst, Ohio (the "City") as of and for the year ended December 31, 2011, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the City Council
Lyndhurst, Ohio

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

Cini & Panichi, Inc.

Cleveland, Ohio
May 21, 2012

CITY OF LYNDHURST, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2011***

Unaudited

The discussion and analysis of the City of Lyndhurst's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

- ❑ In total, net assets increased \$758,183, a less than 1% increase from 2010.
- ❑ General revenues accounted for approximately \$15.7 million in revenue or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 22% of total revenues of approximately \$20.2 million.
- ❑ The City had approximately \$19.4 million in expenses related to governmental activities; only approximately \$4.5 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of approximately \$15.7 million and reserves were adequate to provide for these programs.
- ❑ Among major funds, the general fund had approximately \$15.1 million in revenues and approximately \$13.1 million in expenditures. The general fund's fund balance increased \$285,981 to \$4,911,025.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

CITY OF LYNDHURST, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2011*

Unaudited

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

CITY OF LYNDHURST, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2011***

Unaudited

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets.

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets as of December 31, 2011 and 2010:

	Governmental Activities	
	2011	2010
Current and other assets	\$28,090,941	\$27,186,178
Capital assets, Net	71,697,334	72,684,022
Total assets	99,788,275	99,870,200
Long-term debt liabilities	3,382,540	3,846,435
Other liabilities	5,499,883	5,876,096
Total liabilities	8,882,423	9,722,531
Net assets		
Invested in capital assets, net of related debt	69,452,334	69,353,928
Restricted	14,174,413	13,498,060
Unrestricted	7,279,105	7,295,681
Total net assets	\$90,905,852	\$90,147,669

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CITY OF LYNDHURST, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2011**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2011 and 2010:

	Governmental Activities	
	2011	2010
Revenues		
Program revenues:		
Charges for Services and Sales	\$2,542,732	\$2,281,639
Operating Grants and Contributions	1,270,482	1,650,298
Capital Grants and Contributions	706,237	92,830
General revenues:		
Property Taxes	4,919,422	4,766,976
Municipal Income Taxes	6,415,588	6,132,037
Other Local Taxes	144,493	136,885
Unrestricted Grants and Entitlements	4,063,931	3,855,745
Investment Earnings	16,154	37,704
Miscellaneous	118,943	276,790
Total revenues	20,197,982	19,230,904
Program Expenses		
Security of Persons and Property	8,127,370	7,886,774
Public Health and Welfare Services	56,532	56,532
Leisure Time Activities	688,798	1,597,008
Community Environment	465,723	657,980
Basic Utility Services	2,801,308	3,147,896
Transportation	3,043,461	1,659,267
General Government	4,175,399	4,879,681
Interest and Fiscal Charges	81,208	89,304
Total expenses	19,439,799	19,974,442
Total Change in Net Assets	758,183	(743,538)
Net Assets Beginning of Year	90,147,669	90,891,207
Net Assets End of Year	\$90,905,852	\$90,147,669

Governmental Activities

Net assets of the City's governmental activities increased by \$758,183. Total revenues increased by less than 1.0% compared to 2010. Major increases in capital grants and contributions lead the way with the completion of sewer programs cooperatively funded with Ohio Water Development Authority (OWDA) funds. The addition of the OWDA funds supplemented existing sewer programs within the City and accounted for most of the substantial increase to this revenue source. Charges for services and sales improved as a result of the opening of a new spray ground, citywide increases in recycling, and growth in the number of EMS runs over the prior year. Municipal income taxes continued an upward trend increasing by more than 4.6%. Current collections trended upward by nearly 3% in 2011 for property tax revenues. As a consequence of the national economy, investments earnings continued to decline. Significant decreases in most program expenditures is by design and is a direct result of five years of planned modifications to most departments with a long term goal of cost reduction. These modifications included capital purchases, pension buyouts, benefit reallocation, and staff reductions. The completion of the spray ground enabled the city to divert additional funding to the 2011 street improvement program.

CITY OF LYNDHURST, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2011**

Unaudited

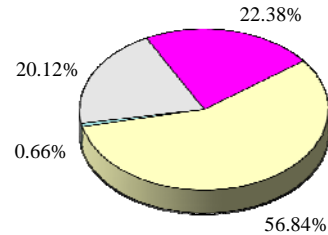
The street improvement program, coupled with a harsh winter, and the capital acquisition of equipment for snow removal, formed the 83% increase in transportation. The increase in spending supports the decision to maintain a vibrant community, yet suppress fundamental increases to operational costs. Slowing the progressive pace of expenditures has counter-balanced the effect of the decline in some revenues.

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

Property taxes and income taxes made up 24% and 32%, respectively of revenues for governmental activities for the City in fiscal year 2011. The City's reliance upon tax revenues is demonstrated by the following graph indicating approximately 56.84% of total revenues from general tax revenues:

Revenue Sources	2011	Percent of Total
General Shared Revenues	\$4,063,931	20.12%
Program Revenues	4,519,451	22.38%
General Tax Revenues	11,479,503	56.84%
General Other	135,097	0.66%
Total Revenue	<u>\$20,197,982</u>	<u>100.00%</u>

2011



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$16,729,983, which is an increase from last year's balance of \$16,074,633. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2011 and 2010:

	Fund Balance December 31, 2011	Fund Balance December 31, 2010	Increase (Decrease)
General	\$4,911,025	\$4,625,044	\$285,981
General Obligation Bond Retirement	836,547	1,231,308	(394,761)
Permanent Improvement	2,851,025	2,507,377	343,648
Capital Reserve	3,090,120	3,086,208	3,912
Other Governmental	5,041,266	4,624,696	416,570
Total	<u>\$16,729,983</u>	<u>\$16,074,633</u>	<u>\$655,350</u>

CITY OF LYNDHURST, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2011**

Unaudited

General Fund – The City's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund. Certain reclassifications have been made to the 2010 financial statements in order to conform to the 2011 presentation:

	2011 Revenues	2010 Revenues	Increase (Decrease)
Taxes	\$9,169,212	\$8,970,855	\$198,357
Intergovernmental Revenue	3,597,723	3,640,175	(42,452)
Charges for Services	661,201	531,591	129,610
Licenses and Permits	38,675	34,602	4,073
Fines and Forfeitures	1,388,852	1,307,745	81,107
All Other Revenue	238,795	282,948	(44,153)
Total	\$15,094,458	\$14,767,916	\$326,542

General Fund revenues in 2011 increased 2.2% compared to revenues in fiscal year 2010. The most significant factor contributing to this increase was an increase in municipal income taxes and property taxes that helped to buffer the more than 14% decline in estate tax and state shared revenues.

	2011 Expenditures	2010 Expenditures	Increase (Decrease)
Security of Persons and Property	\$6,767,633	\$6,642,064	\$125,569
Public Health and Welfare Services	56,532	56,532	0
Leisure Time Activities	939,935	677,420	262,515
Community Environment	453,613	427,079	26,534
Basic Utility Services	1,055,582	1,047,107	8,475
General Government	3,830,687	3,603,082	227,605
Debt Service:			
Principal Retirement	94	0	94
Total	\$13,104,076	\$12,453,284	\$650,792

General Fund expenditures increased by \$650,792 or 5.2% compared to the prior year. The majority of the increase was due to the completion of the spray ground and a rise in legal costs associated with participation in a multi-city joint defense against an assessment to property owners for impervious surfaces imposed by the Northeast Ohio Regional Sewer District (NEORS). Controls on General Fund expenditures continued into 2011. Inasmuch as legal fees, fuel, and benefits experienced increases; the City moved towards its long-term goal to reduce spending. Each ancillary facet of a cost component is analyzed for future decision making that can further reduce costs while maintaining or enhancing City services.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2011 the City amended its General Fund budget several times, none significant.

CITY OF LYNDHURST, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2011***

Unaudited

For the General Fund, final budget basis revenue of approximately \$12.2 million did not change over the original budget estimates. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2011 the City had \$71,697,334 net of accumulated depreciation invested in land, improvements, infrastructure, buildings and machinery and equipment. The following table shows fiscal year 2011 and 2010 balances (net of accumulated depreciation):

	Governmental Activities		Increase (Decrease)
	2011	2010	
Land	\$421,379	\$394,193	\$27,186
Construction in Progress	0	717,385	(717,385)
Buildings	10,373,375	9,742,784	630,591
Improvements Other than Buildings	2,781,173	2,502,932	278,241
Machinery and Equipment	9,501,009	8,677,541	823,468
Infrastructure	113,141,715	112,756,734	384,981
Less: Accumulated Depreciation	<u>(64,521,317)</u>	<u>(62,107,547)</u>	<u>(2,413,770)</u>
Totals	<u>\$71,697,334</u>	<u>\$72,684,022</u>	<u>(\$986,688)</u>

The primary decrease to capital assets occurred to construction in progress, as the City completed all outstanding projects for 2011. Accumulated depreciation outpaced actual increases in capital assets as the City wrapped up the completion of the spray ground and a long standing sewer project. Annual investments into these programs are crucial and have been a focal point of capital budgets for more than a decade. As part of a citywide objective to reduce operating costs capital funds were appropriated for a park project (the spray ground) which broke ground in 2010 and was completed in 2011. The spray ground is an alternative amenity to a city pool. It is anticipated that the influx of capital for this project will provide an enhancement to the community while achieving the objective to reduce operational costs associated with City parks and recreation. Capital investments assist the City in maintaining a strong financial grasp during the tumultuous economic decline. The expenditures for many of the road improvements are substantially lower as interest rates, materials, and more efficient labor practices assist in driving down the costs. The completion of a lower level Municipal Court annex, repurposing the existing municipal center facility has provided for the ongoing needs of the Municipal Court while relieving the taxpayers of the debt potential for new construction as well as the potential for multiple maintenance and operation costs that would be borne by an ancillary building. The annex is expected to serve the Court's needs well into the future without additional municipal operating costs. As a result of the added capacity to the municipal complex a new energy efficient roof and chiller unit were installed and funded from an energy grant. Upgrades to the dispatch center equipment and acquisition of eight (8) new police cruisers in 2011 assisted safety forces in providing services and support at existing labor levels. These steady technological upgrades and improvements will contribute to the police forces ability to quickly retrieve and send data necessary to maintain the safety and security of the community. The addition of a new salt brining system and a five ton dump snow removal unit will assist service crews in providing safe roadways with alternative cost effective methods for de-icing. Additional information on the City's capital assets can be found in Note 9.

CITY OF LYNDHURST, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2011**

Unaudited

Debt

At December 31, 2011, the City had approximately \$1.5 million in bonds outstanding, \$190,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Governmental Activities:		
General Obligation Bonds	\$1,495,000	\$1,680,000
Long-Term Notes	750,000	1,000,000
Capital Leases Payable	0	94
Compensated Absences	<u>1,137,540</u>	<u>1,166,341</u>
Total Governmental Activities	<u>\$3,382,540</u>	<u>\$3,846,435</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the county in which Lyndhurst lies, is limited to 11.5 mills. At December 31, 2011, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13 and Note 14.

ECONOMIC FACTORS

The TRW Corporation, once a major employer in the City of Lyndhurst, was purchased by Northrop Grumman in late 2002. Upon the exit of TRW and in an effort to stabilize the city's economy, Legacy Village (a premier retail district) was erected and continues to trend the economic tax base of the City in a positive fashion. The footprint of Legacy Village combined with the presence of the Cleveland Clinic provide for an exclusive plan that was expected to take shape within the next few years. Due to the general state of the economy on both a Federal and State level, much of the anticipated impact to these changes for 2011 was stalled while investors slowed the pace of their financial influx but not their commitment to the plan. The Cleveland Clinic has added another estimated fifty seven (57) new employees to the existing site. Expectations are that the Lyndhurst site will continue to pilot wellness programs for the Cleveland Clinic with potential for future expansions. A most recent event adding to the future development of this southeast quadrant of the City is the sale of the Acacia Country Club (Acacia CC). Acacia CC, is a 160-acre property located in the City of Lyndhurst and adjacent to Legacy Village. The shareholders voted in 2008 to dissolve the club and sell this unique property. Acacia CC continues to be a vital element to the City's future vision and as such the land has been zoned as part of a mixed-use overlay district. The mixed-use overlay district was designed to encourage economic, residential and recreational development that is compatible with the existing and proposed character of the City. Most recently, a reported resolution to an outstanding legal issue has released the shareholders of Acacia CC to take a more confident approach to the sale of this unique land and offers to the shareholders have been submitted for a vote.

CITY OF LYNDHURST, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2011***

Unaudited

The City does continue to experience small bursts in new housing developments associated with the Legacy Village lifestyle center. Despite the sharp increase in sub prime mortgage delinquencies four new homes and one new commercial permit were issued in 2011 with a total estimated value of \$2.9 million dollars. Rivercreek development plans for a remaining 16 of 33 single family and duplex units stalled in 2011 with anticipation that building will rebound in 2012. Eagle Point Vintage Development has submitted plans for 42 free-standing cluster homes and 2 sets of 2 manor homes on 17-acres of land abutting the Acacia CC perimeter. Estimated values of these homes and manors are in the \$400,000 - \$800,000 range. It can be projected that this original plan will adjust if and when Acacia CC completes a sale. Currently under construction in Eagle Point is a duplex with individual units valued at \$300,000 each. Coupled with the residential outlook, a first term opening of Lincoln Hall, a \$12 million dollar 45,000 square foot expansion to the private Hawken School facility, took place in 2007. The opening of this new facility continues to draw a new and vital cultural and knowledge based interest to Lyndhurst. Most importantly was the level of continued improvement to existing commercial developments and the estimated three million dollar (\$3,000,000) remediation development of a new Key Bank. Seventeen permits were issued for commercial alterations in 2011 with an estimated \$1.65 million dollars in scheduled improvements and enhancements. Most recently three (3) new retailers have taken occupancy in Legacy Village. With the additions of Thomasville Gallery, Le Creuset and Charming Charlie the withholding tax for Legacy continues to trend upward. This strong level of improvement confirms a long-term pattern of continued commercial dedication within the City of Lyndhurst. This commitment coupled with the engagement to new residential development will carry the City through the current wave of Federal and State economic downturns.

REQUESTS FOR INFORMATION

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

CITY OF LYNDHURST, OHIO

Statement of Net Assets
December 31, 2011

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 13,690,234
Investments	2,128,888
Receivables:	
Taxes	9,663,234
Accounts	263,660
Intergovernmental	1,045,903
Special Assessments	1,054,935
Inventory of Supplies at Cost	144,104
Prepaid Items	99,983
Capital Assets:	
Capital Assets Not Being Depreciated	421,379
Capital Assets Being Depreciated, Net	71,275,955
Total Assets	99,788,275
Liabilities:	
Accounts Payable	427,516
Accrued Wages and Benefits	776,761
Retainage Payable	35,829
Unearned Revenue	4,247,965
Accrued Interest Payable	11,812
Long-Term Liabilities:	
Due Within One Year	1,094,561
Due in More Than One Year	2,287,979
Total Liabilities	8,882,423
Net Assets:	
Invested in Capital Assets, Net of Related Debt	69,452,334
Restricted For:	
Capital Projects	8,472,823
Debt Service	1,777,782
Other Purposes	3,923,808
Unrestricted	7,279,105
Total Net Assets	\$ 90,905,852

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

Statement of Activities
For the Year Ended December 31, 2011

	Program Revenues				Governmental Activities
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Current:					
Security of Persons and Property	\$ 8,127,370	\$ 745,448	\$ 23,727	\$ 18,571	\$ (7,339,624)
Public Health and Welfare Services	56,532	0	0	0	(56,532)
Leisure Time Activities	688,798	184,023	0	0	(504,775)
Community Environment	465,723	56,100	210,311	0	(199,312)
Basic Utility Services	2,801,308	61,605	414,958	687,666	(1,637,079)
Transportation	3,043,461	42,102	621,486	0	(2,379,873)
General Government	4,175,399	1,453,454	0	0	(2,721,945)
Interest and Fiscal Charges	81,208	0	0	0	(81,208)
Total Governmental Activities	\$ 19,439,799	\$ 2,542,732	\$ 1,270,482	\$ 706,237	(14,920,348)
General Revenues					
Property Taxes					4,919,422
Municipal Income Taxes					6,415,588
Other Local Taxes					144,493
Grants and Entitlements not Restricted to Specific Programs					4,063,931
Investment Earnings					16,154
Miscellaneous					118,943
Total General Revenues					15,678,531
Change in Net Assets					758,183
Net Assets Beginning of Year					90,147,669
Net Assets End of Year					\$ 90,905,852

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

Balance Sheet
Governmental Funds
December 31, 2011

	General	General Obligation Bond Retirement	Permanent Improvement
	<u>General</u>	<u>Retirement</u>	<u>Improvement</u>
Assets:			
Cash and Cash Equivalents	\$ 3,251,900	\$ 693,791	\$ 2,361,053
Investments	650,953	142,756	485,821
Receivables:			
Taxes	7,142,404	2,151,928	0
Accounts	250,971	0	11,017
Intergovernmental	479,552	93,939	20,030
Special Assessments	45,047	39	0
Inventory of Supplies, at Cost	43,545	0	0
Prepaid Items	99,983	0	0
Total Assets	<u>\$ 11,964,355</u>	<u>\$ 3,082,453</u>	<u>\$ 2,877,921</u>
Liabilities:			
Accounts Payable	\$ 246,861	\$ 0	\$ 26,896
Accrued Wages and Benefits Payable	504,364	0	0
Retainage Payable	35,829	0	0
Deferred Revenue	6,266,276	2,245,906	0
Total Liabilities	<u>7,053,330</u>	<u>2,245,906</u>	<u>26,896</u>
Fund Balances:			
Nonspendable	143,528	0	0
Restricted	0	836,547	0
Committed	0	0	2,851,025
Assigned	236,152	0	0
Unassigned	4,531,345	0	0
Total Fund Balances	<u>4,911,025</u>	<u>836,547</u>	<u>2,851,025</u>
Total Liabilities and Fund Balances	<u>\$ 11,964,355</u>	<u>\$ 3,082,453</u>	<u>\$ 2,877,921</u>

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

<u>Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,562,789	\$ 4,820,701	\$ 13,690,234
527,331	322,027	2,128,888
0	368,902	9,663,234
0	1,672	263,660
0	452,382	1,045,903
0	1,009,849	1,054,935
0	100,559	144,104
0	0	99,983
<u>\$ 3,090,120</u>	<u>\$ 7,076,092</u>	<u>\$ 28,090,941</u>
\$ 0	\$ 153,759	\$ 427,516
0	272,397	776,761
0	0	35,829
0	1,608,670	10,120,852
<u>0</u>	<u>2,034,826</u>	<u>11,360,958</u>
0	100,559	244,087
0	4,905,738	5,742,285
3,090,120	34,969	5,976,114
0	0	236,152
0	0	4,531,345
<u>3,090,120</u>	<u>5,041,266</u>	<u>16,729,983</u>
<u>\$ 3,090,120</u>	<u>\$ 7,076,092</u>	<u>\$ 28,090,941</u>

CITY OF LYNDHURST, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities December 31, 2011

Total Governmental Fund Balances	\$ 16,729,983
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	71,697,334
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	5,872,887
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,394,352)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 90,905,852</u></u>

See accompanying notes to the basic financial statements

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CITY OF LYNDHURST, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011**

	General	General Obligation Bond Retirement	Permanent Improvement
Revenues:			
Property Taxes	\$ 2,790,262	\$ 661,593	\$ 0
Municipal Income Tax	6,378,950	0	0
Other Local Taxes	0	0	81,468
Intergovernmental Revenues	3,597,723	210,446	189,996
Charges for Services	661,201	0	0
Licenses and Permits	38,675	0	0
Investment Earnings	0	1,664	3,370
Special Assessments	0	39	0
Fines and Forfeitures	1,388,852	0	0
All Other Revenue	238,795	0	655
Total Revenue	15,094,458	873,742	275,489
Expenditures:			
Current:			
Security of Persons and Property	6,767,633	0	252,238
Public Health and Welfare Services	56,532	0	0
Leisure Time Activities	939,935	0	145,105
Community Development	453,613	0	0
Basic Utility Services	1,055,582	0	62,678
Transportation	0	0	163,091
General Government	3,830,687	7,079	427,225
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	94	1,185,000	0
Interest & Fiscal Charges	0	76,424	0
Total Expenditures	13,104,076	1,268,503	1,050,337
Excess (Deficiency) of Revenues Over Expenditures	1,990,382	(394,761)	(774,848)
Other Financing Sources (Uses):			
Sale of Capital Assets	0	0	32,761
General Obligation Notes Issued	0	0	0
Transfers In	0	0	1,085,735
Transfers Out	(1,715,735)	0	0
Total Other Financing Sources (Uses)	(1,715,735)	0	1,118,496
Net Change in Fund Balances	274,647	(394,761)	343,648
Restated Fund Balances at Beginning of Year	4,625,044	1,231,308	2,507,377
Increase in Inventory Reserve	11,334	0	0
Fund Balances End of Year	\$ 4,911,025	\$ 836,547	\$ 2,851,025

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

Capital Reserve	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 884,363	\$ 4,336,218
0	0	6,378,950
0	63,025	144,493
0	1,026,185	5,024,350
0	0	661,201
0	0	38,675
4,278	6,842	16,154
0	1,009,969	1,010,008
0	249,563	1,638,415
0	42,112	281,562
<u>4,278</u>	<u>3,282,059</u>	<u>19,530,026</u>
366	1,051,932	8,072,169
0	0	56,532
0	0	1,085,040
0	215,179	668,792
0	440,051	1,558,311
0	1,568,180	1,731,271
0	444,900	4,709,891
0	563,366	563,366
0	0	1,185,094
0	5,168	81,592
<u>366</u>	<u>4,288,776</u>	<u>19,712,058</u>
3,912	(1,006,717)	(182,032)
0	9,953	42,714
0	750,000	750,000
0	630,000	1,715,735
0	0	(1,715,735)
<u>0</u>	<u>1,389,953</u>	<u>792,714</u>
3,912	383,236	610,682
3,086,208	4,624,696	16,074,633
0	33,334	44,668
<u>\$ 3,090,120</u>	<u>\$ 5,041,266</u>	<u>\$ 16,729,983</u>

CITY OF LYNDHURST, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Year Ended December 31, 2011***

Net Change in Fund Balances - Total Governmental Funds \$ 610,682

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (942,683)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (44,005)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 625,242

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 435,094

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 384

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 73,469

Change in Net Assets of Governmental Activities \$ 758,183

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For The Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 2,651,837	\$ 2,651,837	\$ 2,790,262	\$ 138,425
Municipal Income Tax	5,810,000	5,810,000	6,325,918	515,918
Intergovernmental Revenue	1,592,446	2,700,180	3,503,645	803,465
Charges for Services	489,251	527,451	663,277	135,826
Licenses and Permits	31,500	31,500	38,150	6,650
Fines and Forfeitures	1,325,000	1,339,750	1,381,690	41,940
All Other Revenues	236,836	236,836	209,173	(27,663)
Total Revenues	12,136,870	13,297,554	14,912,115	1,614,561
Expenditures:				
Current:				
Security of Persons and Property	7,031,908	7,074,301	6,821,335	252,966
Public Health and Welfare Services	56,532	56,532	56,532	0
Leisure Time Activities	761,039	761,883	702,786	59,097
Community Environment	488,173	493,104	455,082	38,022
Basic Utility Services	1,373,131	1,396,062	1,185,541	210,521
General Government	4,192,694	4,237,980	3,802,921	435,059
Total Expenditures	13,903,477	14,019,862	13,024,197	995,665
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,766,607)	(722,308)	1,887,918	2,610,226
Other Financing Sources (Uses):				
Transfers In	31,000	31,000	0	(31,000)
Transfers Out	(850,000)	(1,935,735)	(1,935,735)	0
Total Other Financing Sources (Uses):	(819,000)	(1,904,735)	(1,935,735)	(31,000)
Net Change In Fund Balance	(2,585,607)	(2,627,043)	(47,817)	2,579,226
Fund Balance at Beginning of Year	3,298,631	3,298,631	3,298,631	0
Prior Year Encumbrances	199,745	199,745	199,745	0
Fund Balance at End of Year	\$ 912,769	\$ 871,333	\$ 3,450,559	\$ 2,579,226

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2011***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 818,247
Total Assets	<u>818,247</u>
Liabilities:	
Intergovernmental Payable	168,771
Due to Others	<u>649,476</u>
Total Liabilities	<u>\$ 818,247</u>

See accompanying notes to the basic financial statements

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying basic financial statements of the City are presented as of December 31, 2011 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

The City is associated with two organizations, one is defined as a joint venture and one is defined as a jointly governed organization. The joint venture organization is the Community Partnership on Aging. The jointly governed organization is the Northeast Ohio Public Energy Council. These organizations are presented in Notes 17 and 18 of the notes to the basic financial statements.

B. Basis of Presentation - Fund Accounting

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

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

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

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

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

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

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

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has no activities considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

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

D. Basis of Accounting

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

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

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent periods when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Property taxes which are measurable at December 31, 2011, but which are not intended to finance 2011 operations or are recorded as deferred revenue as further described in Note 6.

E. Budgetary Process

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

1. Tax Budget

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

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2011.

3. Appropriations

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

4. Encumbrances

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

CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

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

	<u>Net Change In Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	\$274,647
Increase (Decrease):	
Accrued Revenues at December 31, 2011 received during 2012	(1,651,698)
Accrued Revenues at December 31, 2010 received during 2011	1,508,440
Accrued Expenditures at December 31, 2011 paid during 2012	787,054
Accrued Expenditures at December 31, 2010 paid during 2011	(623,904)
2010 Prepays for 2011	99,158
2011 Prepays for 2012	(99,983)
2010 Municipal Court Cash	81,163
2011 Municipal Court Cash	(88,325)
Outstanding Encumbrances	(333,039)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(1,330)
Budgetary Basis	<u>(\$47,817)</u>

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and cash equivalents represents the balance on hand as if each fund maintained its own cash and cash equivalent account. See Note 5, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. The City allocates interest among the various funds based upon applicable legal and administrative requirements. See Note 5, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2011.

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Depreciation

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

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

K. Long-Term Debt

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

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

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

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

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

M. Net Assets

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

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

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

N. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances and resolutions passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance, resolution) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use unrestricted resources first (committed, assigned and unassigned), then restricted resources as they are needed.

O. Pensions

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

CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Interfund Activity

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

Q. Estimates

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

S. Comparative Data/Reclassifications

Prior year data presented in the Management's Discussion and Analysis has been reclassified in order to be comparative and provide an understanding of the changes in the financial position and operations. Certain reclassifications have been made to the 2010 financial statements in order to conform to the 2011 presentation.

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CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

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

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

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

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

Delinquent Income Tax Revenue	\$1,022,810
Delinquent Property Tax Revenue	2,822,625
Unrestricted Grants and Entitlements	798,569
Charges for Services	173,948
Special Assessment Revenue	1,054,935
	<u>\$5,872,887</u>

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$1,495,000)
Accrued Interest on Long-Term Debt	(11,812)
Long-Term Notes Payable	(750,000)
Compensated Absences Payable	(1,137,540)
	<u>(\$3,394,352)</u>

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CITY OF LYNDHURST, OHIO

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2011*

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

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

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

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

Capital Outlay	\$2,935,520
Depreciation Expense	<u>(3,878,203)</u>
	(\$942,683)

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$36,638
Increase in Delinquent Property Tax	583,204
Decrease in Unrestricted Grants and Entitlements	(10,236)
Increase in Charges for Services	67,746
Decrease in Special Assessment Revenue	<u>(52,110)</u>
	\$625,242

Expenses not requiring the use of current financial resources:

Decrease in Compensated Absences Payable	\$28,801
Increase in supplies inventory	<u>44,668</u>
	\$73,469

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CITY OF LYNDHURST, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	General Obligation Bond Retirement Fund	Permanent Improvement Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid Items	\$99,983	\$0	\$0	\$0	\$0	\$99,983
Supplies Inventory	43,545	0	0	0	100,559	144,104
Total Nonspendable	<u>143,528</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>100,559</u>	<u>244,087</u>
Restricted:						
State Highway Improvements	0	0	0	0	38,817	38,817
Probation Services	0	0	0	0	6,444	6,444
Court Special Projects	0	0	0	0	427,628	427,628
Street Construction and Maintenance	0	0	0	0	509,424	509,424
Municipal Court EDP	0	0	0	0	547,325	547,325
Community Development HUD	0	0	0	0	2,887	2,887
Indigent Drivers DUI	0	0	0	0	117,962	117,962
Law Enforcement	0	0	0	0	45,242	45,242
Street Improvement	0	0	0	0	540,988	540,988
Police Pension	0	0	0	0	111,538	111,538
Fire Pension	0	0	0	0	46,354	46,354
Street Lighting	0	0	0	0	26,466	26,466
Sewer Maintenance and Repair	0	0	0	0	989,924	989,924
Sidewalk Construction and Maintenance	0	0	0	0	117,541	117,541
Sewer Construction	0	0	0	0	1,377,198	1,377,198
Debt Service Payments	0	836,547	0	0	0	836,547
Total Restricted	<u>0</u>	<u>836,547</u>	<u>0</u>	<u>0</u>	<u>4,905,738</u>	<u>5,742,285</u>
Committed:						
Permanent Improvements	0	0	2,851,025	0	0	2,851,025
Capital Reserve	0	0	0	3,090,120	0	3,090,120
Parks and Recreation Equipment	0	0	0	0	34,969	34,969
Total Committed	<u>0</u>	<u>0</u>	<u>2,851,025</u>	<u>3,090,120</u>	<u>34,969</u>	<u>5,976,114</u>
Assigned	236,152	0	0	0	0	236,152
Unassigned	4,531,345	0	0	0	0	4,531,345
Total Fund Balances	<u>\$4,911,025</u>	<u>\$836,547</u>	<u>\$2,851,025</u>	<u>\$3,090,120</u>	<u>\$5,041,266</u>	<u>\$16,729,983</u>

CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLES – RESTATEMENT OF FUND BALANCE

For 2011 the City implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and Statement No. 59, “*Financial Instruments Omnibus*”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of the City’s financial statements as follows:

	General Obligation Bond Retirement Fund	Permanent Improvement Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance					
at December 31, 2010	\$4,604,676	\$1,231,308	\$2,507,377	\$3,086,208	\$4,645,064
Fund Reclassification	20,368	0	0	(20,368)	0
Fund Balance, as restated	<u>\$4,625,044</u>	<u>\$1,231,308</u>	<u>\$2,507,377</u>	<u>\$3,086,208</u>	<u>\$4,624,696</u>

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the City’s financial statements.

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 5 - CASH AND CASH EQUIVALENTS

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

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

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

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

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

CITY OF LYNDHURST, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

A. Deposits

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

At year end the carrying amount of the City's deposits was \$4,090,271 and the bank balance was \$4,174,000. Federal depository insurance covered \$1,107,472 of the bank balance and \$3,066,528 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and uncollateralized	\$3,066,528
Total Balance	\$3,066,528

B. Investments

The City's investments at December 31, 2011 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years) less than 1
Repurchase Agreements	\$778,888	AAA ¹ / Aaa ²	\$778,888
STAR Ohio	11,768,210	AAAm ¹	11,768,210
Total Investments	\$12,547,098		\$12,547,098

¹Standard & Poor's

² Moody's Investor Service

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

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

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

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

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the City’s investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the City.

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$14,508,481	\$2,128,888
Certificates of Deposit		
(with maturities of more than 3 months)	1,350,000	(1,350,000)
STAR Ohio	<u>(11,768,210)</u>	<u>11,768,210</u>
Per GASB Statement No. 3	<u>\$4,090,271</u>	<u>\$12,547,098</u>

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2011 were levied after October 1, 2010 on assessed values as of January 1, 2010, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last revaluation was completed in 2006. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

Tangible personal property tax revenues received in 2011 (other than public utility property) represent the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010 on values as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

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

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

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 6 – TAXES (Continued)

A. Property Taxes (Continued)

The full tax rate for all City operations for the year ended December 31, 2011 was \$11.50 per \$1,000 of assessed value. The assessed value upon which the 2011 levy for taxes to be collected in 2012 was based was \$459,706,150. This amount constitutes \$454,917,250 in real property assessed value and \$4,788,900 in public utility assessed value.

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

B. Income Tax

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

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

NOTE 7 - RECEIVABLES

Receivables at December 31, 2011 consisted of taxes, special assessments, interest, accounts receivable and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectible in full.

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CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

NOTE 8 - TRANSFERS

The following is a summary of transfers in and out for all funds for 2011:

	<u>Transfers In:</u>		
	Permanent Improvement Fund	Other Governmental Funds	Total
<u>Transfers Out:</u>			
General Fund	\$1,085,735	\$630,000	\$1,715,735

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

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CITY OF LYNDHURST, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 9 – CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2011:

Historical Cost:

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<i>Capital assets not being depreciated:</i>				
Land	\$394,193	\$27,186	\$0	\$421,379
Construction in Progress	717,385	0	(717,385)	0
Subtotal	1,111,578	27,186	(717,385)	421,379
<i>Capital assets being depreciated:</i>				
Buildings	9,742,784	630,591	0	10,373,375
Improvements Other than Buildings	2,502,932	716,778	(438,537)	2,781,173
Machinery and Equipment	8,677,541	1,234,495	(411,027)	9,501,009
Infrastructure	112,756,734	1,043,855	(658,874)	113,141,715
Subtotal	133,679,991	3,625,719	(1,508,438)	135,797,272
Total Cost	<u>\$134,791,569</u>	<u>\$3,652,905</u>	<u>(\$2,225,823)</u>	<u>\$136,218,651</u>
<i>Accumulated Depreciation:</i>				
Class	December 31, 2010	Additions	Deletions	December 31, 2011
Buildings	(\$3,599,584)	(\$203,235)	\$0	(\$3,802,819)
Improvements Other than Buildings	(1,598,378)	(123,441)	432,961	(1,288,858)
Machinery and Equipment	(7,001,387)	(909,344)	412,441	(7,498,291)
Infrastructure	(49,908,198)	(2,642,182)	619,031	(51,931,349)
Total Depreciation	<u>(\$62,107,547)</u>	<u>(\$3,878,203) *</u>	<u>\$1,464,433</u>	<u>(\$64,521,317)</u>
<i>Net Value:</i>	<u>\$72,684,022</u>			<u>\$71,697,334</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$347,513
Leisure Time Activities	239,362
Community Development	78,548
Basic Utility Services	1,243,377
Transportation	1,919,249
General Government	50,154
Total Depreciation Expense	<u>\$3,878,203</u>

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 10 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

The ORC provides statutory authority for employee and employer contributions. For 2011, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2011 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2011. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2011. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2011, 2010, and 2009 were \$584,521, \$571,086 and \$556,145, respectively, or 89.4% of the required contributions for 2011 and 100% of the required contributions for 2010 and 2009. The unpaid contribution to fund pension obligations for 2011, in the amount of \$62,226, is recorded as a liability within the respective funds.

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2011, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2011, 2010, and 2009 were \$442,204, \$430,683 and \$453,545 for police and \$486,110, \$482,070 and \$479,004 for firefighters, respectively, or 74.7% of the required contributions for 2011 and 100% of the required contributions for 2010 and 2009. The unpaid contribution to fund pension obligations for 2011, in the amount of \$236,537, is recorded as a liability within the respective funds.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2011, 2010, and 2009 were \$167,006, \$209,057 and \$322,763, respectively, or 89.4% of the required contributions for 2011 and 100% of the required contributions for 2010 and 2009.

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

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2011, 2010, and 2009 were \$153,071, \$149,083 and \$156,996 for police and \$136,718, \$135,582 and \$134,720 for firefighters, respectively, or 74.7% of the required contributions for 2011 and 100% of the required contributions for 2010 and 2009.

CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

NOTE 12 – COMPENSATED ABSENCES

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

At December 31, 2011, the City's accumulated, unpaid compensated absences amounted to \$1,137,540, which is recorded as a liability of the Governmental Activities.

NOTE 13 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period.

	Issue Date	Balance December 31, 2010	Issued	(Retired)	Balance December 31, 2011
Capital Projects Fund Note Payable:					
1.25% Recreation Improvement	8/19/10	\$650,000	\$0	(\$650,000)	\$0
Total Capital Project Fund Notes Payable:		<u>650,000</u>	<u>0</u>	<u>(650,000)</u>	<u>0</u>
Total Notes Payable		<u>\$650,000</u>	<u>\$0</u>	<u>(\$650,000)</u>	<u>\$0</u>

CITY OF LYNDHURST, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 14 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2011 was as follows:

		Balance December 31, 2010	Issued	(Retired)	Balance December 31, 2011	Due Within One Year
Governmental Activities:						
General Obligation Bonds:						
2.000% Recreational Facilities	2003	\$1,680,000	\$0	(\$185,000)	\$1,495,000	\$190,000
Total General Obligation Bonds		1,680,000	0	(185,000)	1,495,000	190,000
Long-Term Notes:						
2.000% Street Improvement	2010	1,000,000	0	(1,000,000)	0	0
1.100% Street Improvement	2010	0	750,000	0	750,000	750,000
Total Long-Term Notes		1,000,000	750,000	(1,000,000)	750,000	750,000
Compensated Absences		1,166,341	1,137,540	(1,166,341)	1,137,540	154,561
Capital Leases		94	0	(94)	0	0
Total Governmental Activities		<u>\$3,846,435</u>	<u>\$1,887,540</u>	<u>(\$2,351,435)</u>	<u>\$3,382,540</u>	<u>\$1,094,561</u>

Special assessment debt service is financed by assessments to affected property owners. However, the City is ultimately responsible for the debt service if the assessments are not collected. Delinquent special assessments related to outstanding special assessment bonded debt at year-end were \$30,422.

The City's future long-term obligation funding requirements, including principal and interest payments as of December 31, 2011, follow:

Years	General Obligation Bonds	
	Principal	Interest
2012	\$190,000	\$61,722
2013	195,000	54,408
2014	205,000	46,706
2015	215,000	38,506
2016	220,000	29,690
2017-2018	470,000	31,010
Totals	<u>\$1,495,000</u>	<u>\$262,042</u>

CITY OF LYNDHURST, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

NOTE 15 – CAPITAL LEASE

The City has entered into an agreement to lease equipment. The original cost of the equipment was \$5,043. Such agreements are, in substance, lease purchases (capital leases) and are classified as long-term obligations in the financial statements. The costs of these assets are included in the capital asset balances of the Governmental. The final lease payment of \$94 was made during 2011.

NOTE 16 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During 2011 the City contracted with several different insurance providers for various insurance coverages, as follows:

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

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 16 - RISK MANAGEMENT (Continued)

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

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

NOTE 17 – JOINT VENTURE

Community Partnership on Aging:

The Community Partnership on Aging is a joint venture among the Cities of South Euclid, Lyndhurst and Highland Heights, formed for the purpose of coordinating among the Cities all matters related to assistance and programs for the aged. Revenues consist of contributions from the member Cities and federal grants. The organization is controlled by the Council of Governments composed of the Mayors of the Cities of South Euclid, Lyndhurst and Highland Heights, with the advice of a nine member commission. Continued existence of the organization is dependent on the City. However, the City of Lyndhurst has no explicit and measurable equity in the organization. The organization is not accumulating financial resources or experiencing fiscal stress, which would cause additional financial benefit or burden on the City. In 2011, the City contributed \$169,846. To obtain a copy of the organization's financial statements, write to the Community Partnership on Aging, 1370 Victory Drive, South Euclid, Ohio 44121.

NOTE 18 – JOINTLY GOVERNED ORGANIZATION

Northeast Ohio Public Energy Council:

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

CITY OF LYNDHURST, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 18 – JOINTLY GOVERNED ORGANIZATION (Continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Lyndhurst did not contribute to NOPEC during 2010. Financial information can be obtained by contacting Joseph Migliorini, the Board Chairman, at 175 South Main Street, Akron, Ohio 44308 or at the website www.nopecinfo.org.

NOTE 19 - CONTINGENCIES

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

NOTE 20 – SUBSEQUENT EVENTS

On March 15, 2012 the City issued \$800,000 in one year General Obligation Notes to pay for Street Improvements. The notes had an interest rate of 1.00%.

NOTE 21 - OPERATING LEASE COMMITMENT

The City is committed under an operating lease for four copiers located in the Court and Community Center at a monthly rate of \$431. Under the terms of the lease, the City is responsible for any damage to the copiers and for insuring the copiers. The length of the lease is thirty-nine months. The end of lease purchase option is fair market value. This lease began on March 1, 2010 and is scheduled to end on June 1, 2013. This lease is considered for accounting purposes to be an operating lease. Lease expenditures for the fiscal year ended December 31, 2011, amounted to \$5,172.

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

Members of the City Council
Lyndhurst, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lyndhurst, Ohio (the “City”) as of and for the year ended December 31, 2011, which collectively comprise the City’s basic financial statements and have issued our report thereon dated May 21, 2012 wherein we noted the City adopted *GASB Statement Nos. 54 and 59* as disclosed in Note 4. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

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

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 to be material weaknesses, as defined above.

Members of the City Council
Lyndhurst, Ohio

Compliance and Other Matters

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

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

Cini & Panichi, Inc.

Cleveland, Ohio
May 21, 2012

City of Lyndhurst

Schedule of Findings

December 31, 2011

1. Summary of Auditor's Results

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

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

None.

3. Other Findings

None.

City of Lyndhurst

Schedule of Prior Year Findings

December 31, 2011

Finding No.	Finding Summary	Fully Corrected	Explanation
2010-001	Lack of controls over year-end financial reporting.	Yes	City has improved controls over financial reporting to help ensure the information accurately reflects the activity of the City thereby increasing the reliability of the financial data at year-end.

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Dave Yost • Auditor of State

CITY OF LYNDHURST

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 26, 2012