



**CITY OF SHEFFIELD LAKE
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999

**CITY OF SHEFFIELD LAKE
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
General-Purpose Financial Statements:	
Combined Balance Sheet – All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis)- All Governmental Fund Types	10
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings – All Proprietary Fund Types	14
Combined Statement of Cash Flows – All Proprietary Fund Types	15
Notes to Combined Financial Statements	17
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	37

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Sheffield Lake
Lorain County
609 Harris Road
Sheffield Lake, Ohio 44054

To Members of Council:

We have audited the accompanying general-purpose financial statements of the City of Sheffield Lake, Lorain County, Ohio, (the City) as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Sheffield Lake, Lorain County, Ohio, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2000, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

August 18, 2000

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CITY OF SHEFFIELD LAKE, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and other debits</u>				
Pooled cash and equivalents	\$ 397,736	\$ 436,081	\$ 201,868	\$ 221,510
Cash and investments with fiscal agents	-	-	749	-
Receivables				
Taxes	285,507	1,146,430	66,356	-
Special assessments	-	-	156,324	-
Accounts and other	-	-	-	-
Due from other governments	20,067	10,122	-	-
Interfund receivable	-	-	2,117	-
Inventories and supplies	3,900	5,952	-	-
Prepaid and deferred expenses	22,144	2,157	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Amount available for debt service	-	-	-	-
Amount to be provided for debt	-	-	-	-
Amount to be provided for capital leases	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Total assets and other debits	\$ 729,354	\$ 1,600,742	\$ 427,414	\$ 221,510

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt	
\$ 471,305	\$ 728	\$ 31,236	\$ -	\$ -	\$ 1,760,464
-	-	6,546	-	-	7,295
-	-	161,503	-	-	1,659,796
-	-	-	-	-	156,324
120,819	-	-	-	-	120,819
-	-	-	-	-	30,189
-	-	-	-	-	2,117
-	-	-	-	-	9,852
1,999	-	-	-	-	26,300
4,199,549	-	-	3,680,462	-	7,880,011
(2,491,001)	-	-	-	-	(2,491,001)
-	-	-	-	203,985	203,985
-	-	-	-	734,050	734,050
-	-	-	-	12,284	12,284
-	-	-	-	903,257	903,257
<u>\$ 2,302,671</u>	<u>\$ 728</u>	<u>\$ 199,285</u>	<u>\$ 3,680,462</u>	<u>\$ 1,853,576</u>	<u>\$ 11,015,742</u>

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, fund equity and other credits</u>				
<u>Liabilities</u>				
Accounts and contracts payable	\$ 3,111	\$ 10,026	\$ -	\$ 16,802
Accrued expenses				
Salaries, wages, and benefits	30,078	3,042	-	-
Interest	-	-	-	3,300
Claims payable	-	-	-	-
Matured bonds and coupons payable	-	-	749	-
Due to others	-	-	-	-
Due to other governments	36,000	4,318	-	-
Interfund payable	-	-	-	2,117
Deferred revenue	264,175	1,146,430	222,680	-
Notes payable	-	-	-	200,000
Bonds payable				
General obligations	-	-	-	-
Special assessments	-	-	-	-
Capital leases	-	-	-	-
Accrued leave benefits	13,455	-	-	-
Police and fire pension liability	-	-	-	-
Total liabilities	346,819	1,163,816	223,429	222,219
<u>Fund equity and other credits</u>				
Investment in general fixed assets	-	-	-	-
Retained earnings				
Reserved for self insurance	-	-	-	-
Unreserved	-	-	-	-
Fund balance				
Reserved for inventory	3,900	5,952	-	-
Reserved for prepaids	22,144	2,157	-	-
Reserved for encumbrances	11,423	59,551	-	64,166
Reserved for debt service	-	-	203,985	-
Unreserved	345,068	369,266	-	(64,875)
Total fund equity and other credits	382,535	436,926	203,985	(709)
Total liabilities, fund equity and other credits	\$ 729,354	\$ 1,600,742	\$ 427,414	\$ 221,510

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt	
\$ 2,306	\$ -	\$ -	\$ -	\$ -	\$ 32,245
3,552	-	-	-	-	36,672
1,700	-	-	-	-	5,000
-	16,989	-	-	-	16,989
-	-	-	-	-	749
-	-	37,782	-	-	37,782
18,678	-	161,503	-	112,442	332,941
-	-	-	-	-	2,117
-	-	-	-	-	1,633,285
100,000	-	-	-	-	300,000
-	-	-	-	861,928	861,928
-	-	-	-	76,107	76,107
-	-	-	-	12,284	12,284
42,000	-	-	-	680,700	736,155
-	-	-	-	110,115	110,115
168,236	16,989	199,285	-	1,853,576	4,194,369
-	-	-	3,680,462	-	3,680,462
-	(16,261)	-	-	-	(16,261)
2,134,435	-	-	-	-	2,134,435
-	-	-	-	-	9,852
-	-	-	-	-	24,301
-	-	-	-	-	135,140
-	-	-	-	-	203,985
-	-	-	-	-	649,459
2,134,435	(16,261)	-	3,680,462	-	6,821,373
\$ 2,302,671	\$ 728	\$ 199,285	\$ 3,680,462	\$ 1,853,576	\$ 11,015,742

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Local taxes	\$ 1,288,942	\$ 1,048,068	\$ 55,177	\$ -
Intergovernmental revenue	392,909	616,814	7,177	265,595
Special assessments	-	-	55,974	-
Charges for services	67,621	-	-	-
Fines, licenses, and permits	117,851	3,950	-	-
Interest	99,002	6,613	-	-
Miscellaneous	28,952	33,099	-	-
Total revenues	1,995,277	1,708,544	118,328	265,595
Expenditures				
Current				
Security of persons and property	1,168,022	1,309,427	-	-
Public health and welfare	21,399	-	-	-
Leisure time activities	57,602	44,534	-	-
Community environment	86,638	32,510	-	-
Transportation	4,360	383,291	-	-
General government	585,987	3,895	-	-
Capital outlay	465	2,321	-	552,191
Debt service				
Bond principal	-	-	84,000	-
Capital lease principal	4,017	1,319	-	-
Interest and fiscal charges	993	268	77,503	14,156
Total expenditures	1,929,483	1,777,565	161,503	566,347
Excess (deficiency) of revenues over expenditures	65,794	(69,021)	(43,175)	(300,752)
Other financing sources (uses)				
Operating transfers-in	-	68,200	77,951	115,000
Operating transfers-out	(291,151)	-	-	-
Total other financing sources (uses)	(291,151)	68,200	77,951	115,000
Excess (deficiency) of revenues over expenditures and other sources (uses)	(225,357)	(821)	34,776	(185,752)
Fund balances, beginning of year	607,892	437,747	169,209	185,043
Fund balances, end of year	\$ 382,535	\$ 436,926	\$ 203,985	\$ (709)

The accompanying notes are an integral part of these financial statements.

Totals
(Memorandum Only)

\$ 2,392,187
1,282,495
55,974
67,621
121,801
105,615
62,051

4,087,744

2,477,449
21,399
102,136
119,148
387,651
589,882
554,977

84,000
5,336
92,920

4,434,898

(347,154)

261,151
(291,151)

(30,000)

(377,154)

1,399,891

\$ 1,022,737

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (NON-GAAP BASIS) - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Local taxes	\$ 1,271,356	\$ 1,300,153	\$ 28,797
Intergovernmental revenue	372,842	372,842	-
Special assessments	-	-	-
Charges for services	81,879	81,879	-
Fines, licenses, and permits	115,635	117,851	2,216
Interest	97,518	99,002	1,484
Miscellaneous	28,952	28,952	-
Total revenues	1,968,182	2,000,679	32,497
Expenditures			
Current			
Security of persons and property	1,249,202	1,163,575	85,627
Public health and welfare	45,225	21,629	23,596
Leisure time activities	82,816	60,426	22,390
Community environment	101,969	91,857	10,112
Transportation	4,360	4,360	-
General government	640,066	594,543	45,523
Capital outlay	1,000	465	535
Debt service			
Bond principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	2,124,638	1,936,855	187,783
Excess (deficiency) of revenues over expenditures	(156,456)	63,824	220,280
Other financing sources (uses)			
Operating transfers-in	756,743	756,743	-
Note proceeds	-	-	-
Operating transfers-out	(1,053,894)	(1,047,894)	6,000
Total other financing sources (uses)	(297,151)	(291,151)	6,000
Excess (deficiency) of revenues over expenditures and other sources (uses)	(453,607)	(227,327)	226,280
Prior year encumbrances	11,776	11,776	-
Fund balances, beginning of year	598,751	598,751	-
Fund balances, end of year	\$ 156,920	\$ 383,200	\$ 226,280

The accompanying notes are an integral part of these financial statements.

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,048,068	\$ 1,048,068	\$ -	\$ 55,177	\$ 55,177	\$ -
611,709	621,248	9,539	7,177	7,177	-
-	-	-	55,974	55,974	-
-	-	-	-	-	-
3,950	3,950	-	-	-	-
6,141	6,613	472	-	-	-
33,054	33,099	45	-	-	-
1,702,922	1,712,978	10,056	118,328	118,328	-
1,453,832	1,359,129	94,703	-	-	-
-	-	-	-	-	-
63,973	52,278	11,695	-	-	-
33,344	33,294	50	-	-	-
420,270	395,698	24,572	-	-	-
10,063	8,045	2,018	-	-	-
6,400	2,321	4,079	-	-	-
-	-	-	384,000	384,000	-
-	-	-	95,288	94,605	683
1,987,882	1,850,765	137,117	479,288	478,605	683
(284,960)	(137,787)	147,173	(360,960)	(360,277)	683
68,200	68,200	-	192,951	192,951	-
-	-	-	200,000	200,000	-
-	-	-	-	-	-
68,200	68,200	-	392,951	392,951	-
(216,760)	(69,587)	147,173	31,991	32,674	683
60,922	60,922	-	-	-	-
375,169	375,169	-	169,194	169,194	-
\$ 219,331	\$ 366,504	\$ 147,173	\$ 201,185	\$ 201,868	\$ 683

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL (NON-GAAP BASIS) – ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Local taxes	\$ -	\$ -	\$ -
Intergovernmental revenue	133,260	133,260	-
Special assessments	-	-	-
Charges for services	-	-	-
Fines, licenses, and permits	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
	133,260	133,260	-
Total revenues	133,260	133,260	-
Expenditures			
Current			
Security of persons and property	-	-	-
Public health and welfare	-	-	-
Leisure time activities	-	-	-
Community environment	-	-	-
Transportation	-	-	-
General government	-	-	-
Capital outlay	645,803	515,243	130,560
Debt service			
Bond principal	-	-	-
Interest and fiscal charges	956	956	-
	646,759	516,199	130,560
Total expenditures	646,759	516,199	130,560
Excess (deficiency) of revenues over expenditures	(513,499)	(382,939)	130,560
Other financing sources (uses)			
Operating transfers-in	-	-	-
Note proceeds	-	-	-
Operating transfers-out	-	-	-
	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	(513,499)	(382,939)	130,560
	75,714	75,714	-
Fund balances, beginning of year	447,767	447,767	-
Fund balances, end of year	\$ 9,982	\$ 140,542	\$ 130,560

The accompanying notes are an integral part of these financial statements.

Totals
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,374,601	\$ 2,403,398	\$ 28,797
1,124,988	1,134,527	9,539
55,974	55,974	-
81,879	81,879	-
119,585	121,801	2,216
103,659	105,615	1,956
62,006	62,051	45
3,922,692	3,965,245	42,553
2,703,034	2,522,704	180,330
45,225	21,629	23,596
146,789	112,704	34,085
135,313	125,151	10,162
424,630	400,058	24,572
650,129	602,588	47,541
653,203	518,029	135,174
384,000	384,000	-
96,244	95,561	683
5,238,567	4,782,424	456,143
(1,315,875)	(817,179)	498,696
1,017,894	1,017,894	-
200,000	200,000	-
(1,053,894)	(1,047,894)	6,000
164,000	170,000	6,000
(1,151,875)	(647,179)	504,696
148,412	148,412	-
1,590,881	1,590,881	-
\$ 587,418	\$ 1,092,114	\$ 504,696

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating revenues			
Charges for services	\$ 1,648,194	\$ 326,134	\$ 1,974,328
Miscellaneous	650	-	650
Total operating revenues	<u>1,648,844</u>	<u>326,134</u>	<u>1,974,978</u>
Operating expenses			
Basic utility services	509,927	-	509,927
Personal services	584,600	-	584,600
Contractual services	469,398	-	469,398
Supplies and materials	36,276	-	36,276
Other operating	22,742	408,021	430,763
Depreciation	83,563	-	83,563
Total operating expenses	<u>1,706,506</u>	<u>408,021</u>	<u>2,114,527</u>
Operating (loss)	<u>(57,662)</u>	<u>(81,887)</u>	<u>(139,549)</u>
Nonoperating revenues (expenses)			
Interest and fiscal charges	(1,700)	-	(1,700)
Total nonoperating (expenses)	<u>(1,700)</u>	<u>-</u>	<u>(1,700)</u>
(Loss) before operating transfers	<u>(59,362)</u>	<u>(81,887)</u>	<u>(141,249)</u>
Operating transfers			
Operating transfers-in	-	30,000	30,000
Total operating transfers	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Net (loss)	<u>(59,362)</u>	<u>(51,887)</u>	<u>(111,249)</u>
Retained earnings, beginning of year	2,193,797	35,626	2,229,423
Retained earnings, end of year	<u>\$ 2,134,435</u>	<u>\$ (16,261)</u>	<u>\$ 2,118,174</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	Enterprise Funds	Internal Service Fund	Total (Memorandum Only)
Cash flows from operating activities:			
Operating (loss)	\$ (57,662)	\$ (81,887)	\$ (139,549)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	83,563	-	83,563
Changes in net assets (increase) decrease and liabilities increase (decrease):			
Receivables, accounts and other	12,984	26,558	39,542
Prepaid and deferred expenses	213	-	213
Accounts and contracts payable	(1,869)	-	(1,869)
Accrued salaries, wages and benefits	882	-	882
Claims payable	-	(4,387)	(4,387)
Due to other governments	1,176	-	1,176
Accrued leave benefits	6,000	-	6,000
Total adjustments	102,949	22,171	125,120
Net cash provided by (used in) operating activities	45,287	(59,716)	(14,429)
Cash flows from noncapital financing activities:			
Proceeds from note payable	100,000	-	100,000
Operating transfers-in	-	30,000	30,000
Net cash provided by noncapital financing activities	100,000	30,000	130,000
Cash flows from capital and related financing activities:			
Acquisition of fixed assets	(214,467)	-	(214,467)
Net cash (used in) capital and related financing activities	(214,467)	-	(214,467)
Net (decrease) in cash and cash equivalents	(69,180)	(29,716)	(98,896)
Equity in pooled cash and equivalents, beginning of year	540,485	30,444	570,929
Equity in pooled cash and equivalents, end of year	\$ 471,305	\$ 728	\$ 472,033

The accompanying notes are an integral part of these financial statements.

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CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The City of Sheffield Lake, Ohio was founded in 1815. The Sheffield Lake Charter was originally adopted by the voters in November 1961, in order to secure the benefits of municipal home rule. Under the Ohio Constitution, the City may exercise all powers of local self-government to the extent not in conflict with applicable general laws. The City, under its charter, operates with an elected Council/Mayor form of government. The responsibilities for the major financial functions of the City are divided among the Mayor, Council, Finance Director, and Treasurer. The City's fiscal year corresponds with the calendar year.

In evaluating how to define the City of Sheffield Lake, Ohio for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, management does not believe the City has any potential component units which should be addressed in defining the City's reporting entity.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The City of Sheffield Lake maintains its accounting records on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. For reporting purposes, the individual funds of the City included in these combined financial statements are classified into the following types of funds:

Governmental funds

General fund - used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds - used to account for the proceeds of specific revenue sources, other than expendable trusts, or for major capital projects, that are legally restricted to expenditure for specified purposes.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (continued)

Debt service funds - used to account for the accumulation of resources for, and the payment of, general long-term obligation principal and interest.

Capital projects funds - used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds.

Proprietary funds

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

Internal service funds - used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Fiduciary funds

Trust and agency funds - used to account for assets held by the governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds.

Account groups

Account groups are used to distinguish fixed assets not related to a specific fund and long-term liabilities not related to a specific fund. For reporting purposes, account groups included in these combined financial statements consisted of:

General fixed assets account group - used to account for fixed assets other than those accounted for in proprietary or trust funds.

General long-term debt account group - used to account for unmatured general long-term obligations other than those accounted for in proprietary or trust funds.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING

The modified accrual basis of accounting is used for governmental, expendable trust and agency funds. Revenues are recognized in the accounting period in which they become available and measurable. Available means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be approximately thirty days. Revenues accrued at year-end include local income tax withheld by employers, and certain state levied locally shared taxes. Property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred income until available. Other revenues including fines and forfeits, licenses and permits, certain charges for services, income taxes other than employer withholding, and miscellaneous revenues, are recognized when received since they are generally not measurable until collected.

Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Unmatured interest on debt is recognized when due. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

The accrual basis of accounting is used for proprietary funds. Revenues are recognized in the accounting period in which they are earned. Expenses are recognized when incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting" the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

D. BUDGETARY PROCESS AND REPORTING

Budget

A budget of estimated cash receipts and disbursements is submitted to the Lorain 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. The legal level of budgetary control has been established by Council at the object level within each fund and function.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS AND REPORTING (continued)

Estimated resources

The County Budget commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected receipts of each fund. Before January 1, this certificate is amended to include any unencumbered balances from the preceding year. The "Amended Official Certificate of Estimated Resources" then serves as the basis for the annual appropriation measure. This certificate may be amended during the year as resources change from estimated amounts.

Appropriations

A temporary appropriation measure to control the cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the entire period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources, as stated on the certificate of estimated resources including amendments. Supplemental appropriation ordinances were legally enacted by the City Council during the year. The budget figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (non-GAAP basis) - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications.

Management control of expenditures is maintained through utilization of appropriations (appropriated budget). Expenditures combined with encumbrances may not exceed appropriations as adopted by Council. Funds appropriated may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council.

Encumbrances

Use of the encumbrance system of accounting is required by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. For financial reporting purposes, encumbrances outstanding at year-end are reported as a reservation of fund balance for expenditures of the subsequent year.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS AND REPORTING (continued)

Budgetary reporting

The budgetary process, in accordance with Ohio law, is accounted for on the basis of cash receipts, disbursements and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP basis) - All Governmental Fund Types" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP basis) are that:

Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).

Proceeds from notes and principal payment on short term note obligations are reported on the operating statements (budget basis) rather than on the balance sheet (GAAP basis).

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds are as follows:

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Budget basis	\$ (227,327)	\$ (69,587)	\$ 32,674	\$ (382,939)
Adjustments, increase (decrease)				
Revenue accruals	(5,402)	(4,434)	(315,000)	115,000
Expenditure accruals	<u>7,372</u>	<u>73,200</u>	<u>317,102</u>	<u>82,187</u>
GAAP basis, as reported	<u>\$ (225,357)</u>	<u>\$ (821)</u>	<u>\$ 34,776</u>	<u>\$ (185,752)</u>

E. CASH AND CASH EQUIVALENTS

The City pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code.

For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. INVESTMENTS

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

G. RECEIVABLES

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

H. INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out) or market. The cost of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds.

I. FIXED ASSETS

General fixed assets, which are those used in governmental fund type operations, are recorded as expenditures in the governmental type funds and capitalized in the general fixed asset account group. General fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Infrastructure general fixed assets, including roads, bridges, curbs, gutters, streets, sidewalks, and storm sewers and drains, are not capitalized. Depreciation expense is not recorded in the governmental funds nor is accumulated depreciation reflected in the general fixed assets account group.

Fixed assets which are used in proprietary type activities are capitalized in the respective funds. Fixed assets are stated at historical cost or estimated historical cost. Donated assets are stated at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on estimated life of assets.

Estimated useful lives of the various classes of depreciable assets consist of: buildings, 30 to 50 years; improvements, 30 to 50 years; equipment, including vehicles, 5 to 20 years.

J. LONG-TERM LIABILITIES

Unmatured general long-term liabilities which are related to governmental fund type operations are reflected in the general long-term debt group. Special assessment bonded debt with governmental commitment has been reflected in the general long-term debt account group.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. UNPAID COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued leave benefits" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group.

L. FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations. Reserved retained earnings of the proprietary funds represent the net assets that have been legally identified for specific purposes.

M. TOTAL COLUMNS

Total columns on the financial statements are captioned "Memorandum only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

N. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 COMPLIANCE AND ACCOUNTABILITY

Not apparent in the general purpose financial statements is a deficit fund balance of \$ 200,961 in the Street Improvement Fund, a capital projects fund. This deficit fund balance results from the issuance of bond anticipation notes, which liability is reflected on the balance sheet while project costs and related fixed assets are reflected in the general fixed assets account group. Upon issuance of bonds, the bond anticipation notes would be repaid and the bonded debt liability would be reflected in the general long-term debt account group, thereby eliminating the fund equity deficit.

The deficit fund equity balance in the Internal Service Self Insurance fund results from reflecting expenses in accordance with the accrual basis of accounting which are larger than the amounts recognized on the budget basis. The City, in accordance with its budget basis, will appropriate such expenses from resources of the subsequent year.

NOTE 3 DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

- 2.) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3.) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4.) Bonds and other obligations of the State of Ohio;
- 5.) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6.) The State Treasurer's investment pool (STAR Ohio);
- 7.) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- 8.) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation of debt of the City, and must be purchased with the expectation that it will be held until maturity.

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The City maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash."

B. DEPOSITS

At year-end, the carrying amount of the City's deposits was \$ 237,839 and the bank balance was \$ 327,317. Of the bank balance, \$ 100,000 was collateralized by federal depository insurance and \$ 227,317 by collateral held by third party trustees in accordance with the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, which amount is considered uncollateralized as defined by the Government Accounting Standards Board.

C. INVESTMENTS

Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the City's name. Investment in STAR Ohio, the State Treasurer's Investment Pool, is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1999. At year end, the City's investment in STAR Ohio was \$ 1,529,920. 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, 1999.

Investment proceeds are restricted by the provisions of the Ohio Revised Code.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 4 RECEIVABLES, NET OF ALLOWANCE

Taxes receivable, net of allowance for estimated uncollectibles, consisted of:

Property taxes	
Current	\$ 1,552,464
Delinquent	86,000
Municipal income taxes, employer withholding	<u>21,332</u>
	<u>\$ 1,659,796</u>

NOTE 5 PREPAID AND DEFERRED EXPENSES

Prepaid insurance	<u>\$ 26,300</u>
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NOTE 6 FIXED ASSETS AND ACCUMULATED DEPRECIATION

The changes in general fixed assets during the year consisted of:

	<u>Balance,</u> <u>January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance,</u> <u>December 31</u>
Land and improvements	\$ 646,660	\$ -	\$ -	\$ 646,660
Buildings				
and improvements	708,387	5,223	-	713,610
Equipment and vehicles	<u>2,128,452</u>	<u>248,885</u>	<u>57,145</u>	<u>2,320,192</u>
	<u>\$ 3,483,499</u>	<u>\$ 254,108</u>	<u>\$ 57,145</u>	<u>\$ 3,680,462</u>

Proprietary fund fixed assets and accumulated depreciation at year-end consisted of:

<u>Enterprise</u>	<u>Balance,</u> <u>December 31</u>
Land	\$ 33,500
Buildings and facilities	1,015,000
Improvements, utility systems	2,880,254
Machinery and equipment	<u>270,795</u>
	4,199,549
Accumulated depreciation	<u>2,491,001</u>
Fixed assets, net of accumulated depreciation	<u>\$ 1,708,548</u>

NOTE 7 DEFERRED REVENUE

Deferred revenue at year-end, related to:

Property taxes receivable	<u>\$ 1,633,285</u>
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CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 8 GENERAL LONG-TERM DEBT

Changes in general long-term debt consisted of:

	<u>Balance,</u> <u>January 1,</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>December 31</u>
Due to other governments	\$ 110,458	\$ 112,442	\$ 110,458	\$ 112,442
General obligation bonds	931,169	-	69,241	861,928
Special assessment bonds	90,866	-	14,759	76,107
Capital leases	17,620	-	5,336	12,284
Accrued leave benefits	767,500	-	86,800	680,700
Police and fire pension liability	<u>113,174</u>	<u>-</u>	<u>3,059</u>	<u>110,115</u>
	<u>\$ 2,030,787</u>	<u>\$ 112,442</u>	<u>\$ 289,653</u>	<u>\$ 1,853,576</u>

NOTE 9 BONDS PAYABLE

Bonded debt and activity consisted of:

	<u>Balance,</u> <u>January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>December 31</u>
<u>Governmental type - general long-term debt account group</u>				
General obligation bonds				
Building improvements (1988)				
7.125% through 2003	\$ 25,000	\$ -	\$ 5,000	\$ 20,000
Street improvements (1986)				
7.250% through 2007	54,000	-	6,000	48,000
Street improvements (1992)				
7.500% through 2007	100,000	-	10,000	90,000
Street improvements (1994)				
5.300% through 1999	11,000	-	11,000	-
Various equipment (1994)				
5.300% through 1999	13,000	-	13,000	-
Building improvement (1996)				
6.200% through 2016	190,000	-	5,000	185,000
Street improvement (1998)				
5.000% through 2018	<u>500,000</u>	<u>-</u>	<u>15,000</u>	<u>485,000</u>
Total general obligations	<u>\$ 893,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 828,000</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 9 BONDS PAYABLE (continued)

	<u>Balance,</u> <u>January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>December 31</u>
Special assessment bonds with City commitment				
Combination bonds				
Street improvements (1983)				
11.125% through 2007				
(City portion-32.63%)	\$ 117,035	\$ -	\$ 13,000	\$ 104,035
 Special assessment bonds				
Street improvements (1982)				
9.250% through 2000	12,000	-	6,000	6,000
Total governmental type	<u>\$ 1,022,035</u>	<u>\$ -</u>	<u>\$ 84,000</u>	<u>\$ 938,035</u>

Debt service requirements, including principal and interest, to retire bonds payable outstanding at December 31, 1999 consisted of:

<u>Year</u>	General obligation bonds	Special assessment bonds	<u>Total</u>
2000	\$ 95,200	\$ 23,109	\$ 118,309
2001	97,327	15,579	112,906
2002	99,189	14,605	113,794
2003	95,731	13,630	109,361
2004	87,263	12,656	99,919
2005 - 2009	368,542	32,121	400,663
2010 - 2014	285,189	-	285,189
2015 - 2018	191,688	-	191,688
	<u>\$ 1,320,129</u>	<u>\$ 111,700</u>	<u>\$ 1,431,829</u>

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 10 CAPITAL LEASES

The City is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Asset Account Group and the General Long-term Debt Account Group, respectively. Assets under capital leases totaled \$ 22,533 at December 31, 1999. The leases are in effect through 2003. The following is a schedule of future minimum lease payments under capital leases together with the net present value of the minimum lease payments as of December 31, 1999.

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2000	\$ 6,598
2001	3,882
2002	1,944
2003	<u>1,134</u>
Total minimum lease payments	13,558
Less amount representing interest	<u>(1,274)</u>
Net present value of minimum lease payments	<u>\$ 12,284</u>

NOTE 11 ACCRUED LEAVE BENEFITS

Accrued leave benefits consisted of unpaid sick leave and vacation reflected as:

<u>Governmental type</u>	
General fund - current	\$ 13,455
General long-term debt account group	680,700
 <u>Proprietary type</u>	
Enterprise funds	<u>42,000</u>
	<u>\$ 736,155</u>

NOTE 12 POLICE AND FIRE PENSION LIABILITY

Police and fire pension liability consisted of:

<u>Governmental type - general long-term</u>	
<u>debt account group</u>	
Police and firemen's pension liability, related to unfunded liability at plan inception in 1967, requiring semi-annual installments of \$ 1,529 through 2035	<u>\$ 110,115</u>

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 13 PROPERTY TAXES

Property taxes include amounts levied on all real and public utility property and business tangible personal property which is located in the City. Lorain County is responsible for assessing, collecting, and remitting these property taxes to the City.

Real property taxes collected in 1999 were based on assessed value equal to thirty-five percent of appraised value. The Lorain County Auditor reappraises real property every six years with a triennial update, which last update was completed for 1994. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Lorain County, real property taxes are billed semi-annually, one year in arrears. The tax rate applied to real property collected in 1999 before certain homestead and rollback reductions, which are reimbursed to the City by the State of Ohio, amounted to \$ 19.99 per \$ 1,000 of assessed valuation. The effective rate applied after adjustment for inflationary increases in property values was \$ 13.49 per \$ 1,000 of assessed valuation for residential and agricultural real property, and \$ 14.23 per \$ 1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at twenty-five percent of statutory true value. The tax rate applied to tangible personal property for the current year ended December 31, 1999 was \$ 19.99 per \$ 1,000 of valuation.

Property valuation consisted of:

Real property - 1998	
Residential/agricultural	\$ 92,651,720
Commercial/industrial	9,090,330
Tangible personal property - 1999	
General	5,621,184
Public utilities	<u>3,941,300</u>
Total valuation	<u>\$ 111,304,534</u>

NOTE 14 MUNICIPAL INCOME TAXES

The City levies an income tax of 1% on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside the City with a certain credit for income taxes paid to other municipalities. This tax is collected and administered by the City.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 15 PENSION PLANS

Public Employees Retirement System of Ohio (PERS)

All employees other than policemen and firemen participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 13.55% of annual covered payroll. The 1998 employer contribution rate was 13.55% of covered payroll. The City's contribution to PERS for the years ended December 31, 1999, 1998, and 1997, were \$ 131,400, \$ 132,700, and \$ 135,100, respectively, equal to the required contributions for each year. The full amount has been contributed for 1998 and 1997. For 1999, 71% has been contributed, with the remainder being reported as a fund liability and within the general long-term debt account group.

Ohio Police and Fire Pension Fund (OP&F)

The City contributes to the Ohio Police and Fire Pension Fund (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. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 1999, 1998, and 1997 were \$ 289,700, \$ 292,700, and \$ 241,300, respectively, equal to the required contributions for each year. The full amount has been contributed for 1998 and 1997. For 1999, 71% has been contributed, with the remainder being reported as a fund liability and within the general long-term debt account group.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS

Public Employees Retirement System of Ohio (PERS)

Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care.

The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate was 13.55% of covered payroll; 4.20% was the portion that was used to fund health care for the year. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings there on. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were \$ 523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$ 9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

Ohio Police and Fire Pension Fund (OP&F)

The Fund provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (continued)

Ohio Police and Fire Pension Fund (OP&F) (continued)

The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll. The Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. Currently, 6.5% of covered payroll, the Board-defined allocation is used to pay retiree health care expenses. The Board defined allocation was 6.5% and 7.0% of covered payroll in 1998 and 1999, respectively. The allocation is 7.25% in 2000. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998, the date of the last actuarial valuation available, was 11,424 for police and 9,186 for firemen. The City's 1999 contribution to pay postemployment benefits for police and firemen was \$ 41,500 and \$ 50,800, respectively. OP&F's total health care expense for the year ended December 31, 1998 the date of the last actuarial valuation available, was \$ 78,596,790, which was net of member contributions of \$ 5,331,515.

NOTE 17 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, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. For the past several years, settled claims from these risks have not exceeded commercial insurance coverage.

The City has established a medical Self-insurance Fund for City employees and their covered dependents, in order to minimize the annual total cost of medical insurance. This program is administered with the use of an outside third-party administrator. At year-end, self-insurance was in effect for losses up to \$ 10,000 per participant, with an aggregate deductible of \$ 354,000. Excess losses are insured by a private insurance company. During the year ended December 31, 1999, the City paid \$ 385,850 of claims and expenses.

The City's third-party administrator has actuarially determined that \$ 16,989 is a good and sufficient provision for all unmatured claim obligations (including both reported but unpaid claims and incurred but not reported claims, as well as an allowance for claim settlement expenses on the estimated unpaid claims) as of December 31, 1999. This amount is non-discounted and is based upon historical claims experience.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 17 RISK MANAGEMENT (continued)

The claims liability of \$ 16,989 reported in the Fund as of December 31, 1999 is based on the provisions of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the balance of claims liability during the years ended December 31, 1999 and 1998 are as follows. Incurred claims and claims payments are not segregated between events related to current year and events related to prior years due to the impracticability of obtaining such information by separated periods.

	1999	1998
Unpaid claims, beginning of year	\$ 21,376	\$ 39,202
Incurred claims	381,463	305,337
Claims payments	(385,850)	(323,163)
Unpaid claims, end of year	\$ 16,989	\$ 21,376

NOTE 18 SEGMENT INFORMATION - ENTERPRISE FUNDS

	Water	Sewer	Refuse	Total Enterprise Funds
Operating statement				
Operating revenues	\$ 461,818	\$ 665,950	\$ 521,076	\$ 1,648,844
Operating expenses				
Basic utility services	-	-	509,927	509,927
Personal services	388,147	196,453	-	584,600
Contractual services	24,098	445,300	-	469,398
Supplies and materials	24,462	11,814	-	36,276
Other operating	18,328	4,414	-	22,742
Depreciation	1,736	81,827	-	83,563
Total operating expenses	456,771	739,808	509,927	1,706,506
Nonoperating expenses	-	(1,700)	-	(1,700)
Net income (loss)	\$ 5,047	\$ (75,558)	\$ 11,149	\$ (59,362)
Other information				
Net working capital	\$ 128,379	\$ 212,000	\$ 127,508	\$ 467,887
Fixed assets, additions	\$ 2,700	\$ 211,767	\$ -	\$ 214,467
Total assets	\$ 144,957	\$ 2,030,206	\$ 127,508	\$ 2,302,671
Total equity	\$ 117,552	\$ 1,889,375	\$ 127,508	\$ 2,134,435

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 19 PENDING LITIGATION

The City is a party to legal proceedings seeking damages. The City's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

NOTE 20 OPERATING LEASE

The City is obligated under a lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore the result of the lease agreement is not reflected in the City's account groups. Total lease expense for the year ended December 31, 1999 was \$1,773.

Future minimum rental payments required under the operating lease as of December 31, 1999 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2000	\$ 2,364
2001	2,364
2002	2,364
2003	2,364
2004	<u>591</u>
Total future operating lease payments	<u>\$ 10,047</u>

NOTE 21 SUBSEQUENT EVENTS

In June 2000, the City Council authorized the issuance of \$100,000 in bond anticipation notes for the purpose of street improvements. Also in June 2000, City Council passed a resolution to submit a property tax levy on November 7, 2000 for equipment and operations of the Road Department.

In July 2000, City Council passed an ordinance to submit an additional one-quarter percent income tax for road maintenance. Also in July 2000, City Council passed an ordinance to authorize the issuance of \$2,500,000 of bonds for improvements to the City's storm water operation.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

City of Sheffield Lake
Lorain County
609 Harris Road
Sheffield Lake, Ohio 44054

To Members of Council:

We have audited the general-purpose financial statements of the City of Sheffield Lake, Lorain County, Ohio, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated August 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 18, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 18, 2000.

This report is intended for the information and use of management and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end of the last name.

Jim Petro
Auditor of State

August 18, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF SHEFFIELD LAKE

LORAIN 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
OCTOBER 10, 2000**