

CITY OF SHEFFIELD LAKE, OHIO
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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To the City Council
City of Sheffield Lake

We have reviewed the independent auditor's report of the City of Sheffield Lake, Lorain County, prepared by Costin + Company, Certified Public Accountants, for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

July 12, 2001

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CITY OF SHEFFIELD LAKE, OHIO

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COSTIN + COMPANY

Certified Public Accountants

35945 Center Ridge Road

North Ridgeville, OH 44039

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Sheffield Lake, Ohio

We have audited the accompanying general purpose financial statements of the City of Sheffield Lake, Ohio; (the City) as of and for the year ended December 31, 2000 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 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2001 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

North Ridgeville, Ohio
June 15, 2001

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and other debits				
Pooled cash and equivalents	\$ 447,766	\$ 505,576	\$ 223,097	\$ 194,495
Cash and investments with fiscal agents	-	-	748	-
Receivables				
Taxes	338,931	1,053,900	71,600	-
Special assessments	-	-	153,221	-
Accounts and other	710	-	-	-
Due from other governments	-	19,909	-	-
Interfund receivable	-	-	2,117	-
Inventories and supplies	3,380	7,673	-	-
Prepaid expenses	22,869	2,227	-	-
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	<u>\$ 813,656</u>	<u>\$ 1,589,285</u>	<u>\$ 450,783</u>	<u>\$ 194,495</u>

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	
\$ 2,863,432	\$ -	\$ 53,188	\$ -	\$ -	\$ 4,287,554
-	-	4,225	-	-	4,973
-	-	147,100	-	-	1,611,531
-	-	-	-	-	153,221
173,249	-	-	-	-	173,959
-	-	-	-	-	19,909
-	-	-	-	-	2,117
-	-	-	-	-	11,053
2,064	-	-	-	-	27,160
4,528,912	-	-	3,821,608	-	8,350,520
(2,579,604)	-	-	-	-	(2,579,604)
-	-	-	-	225,214	225,214
-	-	-	-	652,821	652,821
-	-	-	-	13,216	13,216
-	-	-	-	856,798	856,798
<u>\$ 4,988,053</u>	<u>\$ -</u>	<u>\$ 204,513</u>	<u>\$ 3,821,608</u>	<u>\$ 1,748,049</u>	<u>\$ 13,810,442</u>

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, fund equity and other credits				
Liabilities				
Accounts and contracts payable	\$ 15,456	\$ 31,400	\$ -	\$ 6,550
Accrued expenses				
Salaries, wages, and benefits	34,742	4,145	-	-
Interest	-	-	-	14,213
Claims payable	-	-	-	-
Matured bonds and coupons payable	-	-	748	-
Due to others	-	-	-	-
Due to other governments	71,000	7,000	-	-
Interfund payable	-	-	-	2,117
Deferred revenue	316,800	1,053,900	224,821	-
Notes payable	-	-	-	400,000
Bonds payable				
General obligation	-	-	-	-
Special assessment	-	-	-	-
Capital leases	-	-	-	-
Accrued leave benefits	-	-	-	-
Total liabilities	437,998	1,096,445	225,569	422,880
Fund equity and other credits				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings				
Reserved for self insurance	-	-	-	-
Unreserved	-	-	-	-
Fund Balance				
Reserved for inventory	3,380	7,673	-	-
Reserved for prepaid expenses	22,869	2,227	-	-
Reserved for encumbrances	23,348	49,879	-	26,133
Reserved for debt service	-	-	225,214	-
Unreserved	326,061	433,061	-	(254,518)
Total fund equity and other credits	375,658	492,840	225,214	(228,385)
Total liabilities, fund equity and other credits	\$ 813,656	\$ 1,589,285	\$ 450,783	\$ 194,495

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

Proprietary Fund Types		Fiduciary	Account Groups		Totals
Enterprise	Internal Service	Fund Type Trust and Agency	General Fixed Assets	General Long-term Debt	(Memorandum Only)
\$ 123,694	\$ -	\$ 13,121	\$ -	\$ -	\$ 190,221
4,487	-	-	-	-	43,374
33,607	-	-	-	-	47,820
-	8,146	-	-	-	8,146
-	-	-	-	-	748
-	-	44,292	-	-	44,292
21,597	-	147,100	-	85,544	332,241
-	-	-	-	-	2,117
-	-	-	-	-	1,595,521
151,842	-	-	-	-	551,842
2,500,000	-	-	-	816,687	3,316,687
-	-	-	-	61,348	61,348
-	-	-	-	13,216	13,216
47,300	-	-	-	771,254	818,554
<u>2,882,527</u>	<u>8,146</u>	<u>204,513</u>	<u>-</u>	<u>1,748,049</u>	<u>7,026,127</u>
-	-	-	3,821,608	-	3,821,608
25,889	-	-	-	-	25,889
-	(8,146)	-	-	-	(8,146)
2,079,637	-	-	-	-	2,079,637
-	-	-	-	-	11,053
-	-	-	-	-	25,096
-	-	-	-	-	99,360
-	-	-	-	-	225,214
-	-	-	-	-	504,604
<u>2,105,526</u>	<u>(8,146)</u>	<u>-</u>	<u>3,821,608</u>	<u>-</u>	<u>6,784,315</u>
<u>\$ 4,988,053</u>	<u>\$ -</u>	<u>\$ 204,513</u>	<u>\$ 3,821,608</u>	<u>\$ 1,748,049</u>	<u>\$ 13,810,442</u>

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
 DECEMBER 31, 2000

	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Local taxes	\$ 1,322,300	\$ 959,325	\$ 54,914	\$ -
Intergovernmental revenue	408,246	717,436	7,239	137,985
Special assessments	-	-	22,816	-
Charges for services	92,446	-	-	-
Fines, licenses, and permits	239,583	17,260	-	-
Interest	98,157	7,988	-	-
Miscellaneous	65,314	14,553	-	-
Total revenues	<u>2,226,046</u>	<u>1,716,562</u>	<u>84,969</u>	<u>137,985</u>
Expenditures				
Current				
Security of persons and property	1,195,122	1,205,186	-	-
Public health and welfare	23,047	-	-	-
Leisure time activities	63,654	51,249	-	-
Community environment	93,075	44,370	-	-
Transportation	4,642	392,264	-	-
General government	642,391	3,901	-	-
Capital outlay	1,929	3,710	-	454,748
Debt service				
Bond principal	-	-	60,000	-
Capital lease principal	3,880	1,451	-	-
Interest and fiscal charges	619	137	59,684	25,913
Total expenditures	<u>2,028,359</u>	<u>1,702,268</u>	<u>119,684</u>	<u>480,661</u>
Excess (deficiency) of revenues over expenditures	<u>197,687</u>	<u>14,294</u>	<u>(34,715)</u>	<u>(342,676)</u>
Other financing sources (uses)				
Operating transfers-in	765,743	41,620	55,944	115,000
Capital lease	8,000	-	-	-
Operating transfers-out	(978,307)	-	-	-
Total other financing sources (uses)	<u>(204,564)</u>	<u>41,620</u>	<u>55,944</u>	<u>115,000</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(6,877)</u>	<u>55,914</u>	<u>21,229</u>	<u>(227,676)</u>
Fund balances, beginning of year	<u>382,535</u>	<u>436,926</u>	<u>203,985</u>	<u>(709)</u>
Fund balances, end of year	<u>\$ 375,658</u>	<u>\$ 492,840</u>	<u>\$ 225,214</u>	<u>\$ (228,385)</u>

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

Totals
(Memorandum
Only)

\$ 2,336,539
1,270,906
22,816
92,446
256,843
106,145
79,867

4,165,562

2,400,308
23,047
114,903
137,445
396,906
646,292
460,387

60,000
5,331
86,353

4,330,972

(165,410)

978,307
8,000

(978,307)

8,000

(157,410)

1,022,737

\$ 865,327

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (NON-GAAP BASIS) – ALL GOVERNMENTAL FUND TYPES
 DECEMBER 31, 2000

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Local taxes	\$ 1,321,501	\$ 1,321,501	\$ -
Intergovernmental revenue	428,313	428,313	-
Special assessments	-	-	-
Charges for services	91,736	91,736	-
Fines, licenses, and permits	239,583	239,583	-
Interest	97,329	98,157	828
Miscellaneous	65,314	65,314	-
Total revenues	<u>2,243,776</u>	<u>2,244,604</u>	<u>828</u>
Expenditures			
Current			
Security of persons and property	1,286,646	1,191,117	95,529
Public health and welfare	35,275	22,732	12,543
Leisure time activities	86,590	81,830	4,760
Community environment	113,098	70,895	42,203
Transportation	4,901	4,642	259
General government	717,925	635,440	82,485
Capital outlay	4,000	1,929	2,071
Debt service			
Bond principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>2,248,435</u>	<u>2,008,585</u>	<u>239,850</u>
Excess (deficiency) of revenues over expenditures	<u>(4,659)</u>	<u>236,019</u>	<u>240,678</u>
Other financing sources (uses)			
Operating transfers-in	765,743	765,743	-
Note proceeds	-	-	-
Advances-in	150,000	150,000	-
Advances-out	(150,000)	(150,000)	-
Operating transfers-out	(1,016,887)	(978,307)	38,580
Total other financing sources (uses)	<u>(251,144)</u>	<u>(212,564)</u>	<u>38,580</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(255,803)	23,455	279,258
Prior year encumbrances	14,536	14,536	-
Fund balances, beginning of year	<u>383,200</u>	<u>383,200</u>	<u>-</u>
Fund balances, end of year	<u>\$ 141,933</u>	<u>\$ 421,191</u>	<u>\$ 279,258</u>

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

Special Revenue		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 959,325	\$ 959,325	\$ -
707,649	707,649	-
-	-	-
-	-	-
17,260	17,260	-
7,988	7,988	-
14,553	14,553	-
<u>1,706,775</u>	<u>1,706,775</u>	<u>-</u>
1,390,640	1,240,724	149,916
-	-	-
68,217	56,994	11,223
57,003	48,189	8,814
410,202	387,664	22,538
7,500	6,114	1,386
6,400	3,710	2,690
-	-	-
-	-	-
<u>1,939,962</u>	<u>1,743,395</u>	<u>196,567</u>
<u>(233,187)</u>	<u>(36,620)</u>	<u>196,567</u>
41,620	41,620	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>41,620</u>	<u>41,620</u>	<u>-</u>
(191,567)	5,000	196,567
69,577	69,577	-
<u>366,504</u>	<u>366,504</u>	<u>-</u>
<u>\$ 244,514</u>	<u>\$ 441,081</u>	<u>\$ 196,567</u>

Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 54,914	\$ 54,914	\$ -
7,239	7,239	-
22,816	22,816	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>84,969</u>	<u>84,969</u>	<u>-</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>260,000</u>	<u>260,000</u>	<u>-</u>
<u>75,671</u>	<u>74,684</u>	<u>987</u>
<u>335,671</u>	<u>334,684</u>	<u>987</u>
<u>(250,702)</u>	<u>(249,715)</u>	<u>987</u>
170,944	170,944	-
100,000	100,000	-
-	-	-
-	-	-
-	-	-
<u>270,944</u>	<u>270,944</u>	<u>-</u>
20,242	21,229	987
-	-	-
<u>201,868</u>	<u>201,868</u>	<u>-</u>
<u>\$ 222,110</u>	<u>\$ 223,097</u>	<u>\$ 987</u>

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (NON-GAAP BASIS) – ALL GOVERNMENTAL FUND TYPES
 DECEMBER 31, 2000

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Local taxes	\$ -	\$ -	\$ -
Intergovernmental revenue	262,827	262,827	-
Special assessments	-	-	-
Charges for services	-	-	-
Fines, licenses, and permits	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>262,827</u>	<u>262,827</u>	<u>-</u>
Expenditures			
Current			
Security of persons and property	-	-	-
Public health and welfare	-	-	-
Leisure time activities	-	-	-
Community environment	-	-	-
Transportation	-	-	-
General government	-	-	-
Capital outlay	681,275	622,908	58,367
Debt service			
Bond principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>681,275</u>	<u>622,908</u>	<u>58,367</u>
Excess (deficiency) of revenues over Expenditures	<u>(418,448)</u>	<u>(360,081)</u>	<u>58,367</u>
Other financing sources (uses)			
Operating transfers-in	-	-	-
Note proceeds	300,000	300,000	-
Advances-in	93,080	93,080	-
Advances-out	(93,080)	(93,080)	-
Operating transfers-out	-	-	-
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(118,448)</u>	<u>(60,081)</u>	<u>58,367</u>
Prior year encumbrances	80,968	80,968	-
Fund balances, beginning of year	<u>140,542</u>	<u>140,542</u>	<u>-</u>
Fund balances, end of year	<u>\$ 103,062</u>	<u>\$ 161,429</u>	<u>\$ 58,367</u>

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

Totals
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,335,740	\$ 2,335,740	\$ -
1,406,028	1,406,028	-
22,816	22,816	-
91,736	91,736	-
256,843	256,843	-
105,317	106,145	828
79,867	79,867	-
<u>4,298,347</u>	<u>4,299,175</u>	<u>828</u>
2,677,286	2,431,841	245,445
35,275	22,732	12,543
154,807	138,824	15,983
170,101	119,084	51,017
415,103	392,306	22,797
725,425	641,554	83,871
691,675	628,547	63,128
260,000	260,000	-
75,671	74,684	987
<u>5,205,343</u>	<u>4,709,572</u>	<u>495,771</u>
<u>(906,996)</u>	<u>(410,397)</u>	<u>496,599</u>
978,307	978,307	-
400,000	400,000	-
243,080	243,080	-
(243,080)	(243,080)	-
<u>(1,016,887)</u>	<u>(978,307)</u>	<u>38,580</u>
<u>361,420</u>	<u>400,000</u>	<u>38,580</u>
(545,576)	(10,397)	535,179
165,081	165,081	-
<u>1,092,114</u>	<u>1,092,114</u>	<u>-</u>
<u>\$ 711,619</u>	<u>\$ 1,246,798</u>	<u>\$ 535,179</u>

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, 2000

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating revenues			
Charges for services	\$ 1,971,263	\$ 309,214	\$ 2,280,477
Total operating revenues	<u>1,971,263</u>	<u>309,214</u>	<u>2,280,477</u>
Operating expenses			
Personal services	591,620	-	591,620
Contractual services	1,252,921	-	1,252,921
Supplies and materials	79,135	-	79,135
Other operating	12,861	301,099	313,960
Depreciation	88,603	-	88,603
Total operating expenses	<u>2,025,140</u>	<u>301,099</u>	<u>2,326,239</u>
Operating income (loss)	<u>(53,877)</u>	<u>8,115</u>	<u>(45,762)</u>
Nonoperating revenues (expenses)			
Interest income	36,234	-	36,234
Interest and fiscal charges	(37,242)	-	(37,242)
Total nonoperating (expenses)	<u>(1,008)</u>	<u>-</u>	<u>(1,008)</u>
Net income (loss)	<u>(54,885)</u>	<u>8,115</u>	<u>(46,770)</u>
Add depreciation on fixed assets acquired by capital grants which reduces contributed capital from such grants	87	-	87
Retained earnings, beginning of year	<u>2,134,435</u>	<u>(16,261)</u>	<u>2,118,174</u>
Retained earnings, end of year	<u>\$ 2,079,637</u>	<u>\$ (8,146)</u>	<u>\$ 2,071,491</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

DECEMBER 31, 2000

	Enterprise	Internal Service	Totals (Memorandum Only)
Cash flows from operating activities:			
Operating income (loss)	\$ (53,877)	\$ 8,115	\$ (45,762)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	88,603	-	88,603
Changes in net assets (increase) decrease and liabilities increase (decrease)			
Receivables	(52,430)	-	(52,430)
Prepaid expenses	(65)	-	(65)
Accounts and contracts payable	153,295	-	153,295
Accrued salaries, wages and benefits	935	-	935
Claims payable	-	(8,843)	(8,843)
Due to other governments	2,919	-	2,919
Accrued leave benefits	5,300	-	5,300
Total adjustments	198,557	(8,843)	189,714
Net cash provided by (used in) operating activities	144,680	(728)	143,952
Cash flows from capital and related financing activities:			
Note proceeds	154,842	-	154,842
Proceeds from bonds	2,500,000	-	2,500,000
Note principal payment	(103,000)	-	(103,000)
Interest payments	(37,242)	-	(37,242)
Acquisition of fixed assets	(303,387)	-	(303,387)
Net cash provided by capital and related financing activities	2,211,213	-	2,211,213
Cash flows from investing activities:			
Interest income	36,234	-	36,234
Net cash provided by investing activities	36,234	-	36,234
Net increase (decrease) in cash and equivalents	2,392,127	(728)	2,391,399
Equity in pooled cash and equivalents, beginning of year	471,305	728	472,033
Equity in pooled cash and equivalents, end of year	\$ 2,863,432	\$ -	\$ 2,863,432
Non-cash transactions:			
Fixed assets acquired with capital grants	\$ 25,976	\$ -	\$ 25,976

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

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 voters originally adopted the Sheffield Lake Charter 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 that 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 that 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.

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.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (continued)

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.

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.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING

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. Council has established the legal level of budgetary control at the object level within each fund and function.

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 that 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.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS AND REPORTING (continued)

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.

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 Project Funds
Budget basis	\$ 23,455	\$ 5,000	\$ 21,229	\$ (60,081)
Adjustments, increase (decrease)				
Revenue accruals	(160,558)	9,787	(215,000)	(185,000)
Expenditure accruals	130,226	41,127	215,000	17,405
GAAP basis, as reported	<u>\$ (6,877)</u>	<u>\$ 55,914</u>	<u>\$ 21,229</u>	<u>\$ (227,676)</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND CASH EQUIVALENTS

The City pools its cash for investment and administration purposes. The provisions of the Ohio Revised Code restrict deposit and investment procedures.

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.

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 that 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 GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

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.

The entire estimated amount of unpaid leave benefits, including sick pay and vacation pay, of the proprietary type funds is reflected as a liability in the respective funds.

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 GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 2 COMPLIANCE AND ACCOUNTABILITY

Included in the general purpose financial statements are deficit fund balances, as follows:

Capital Projects Funds:	
Street Improvement Fund	\$ 101,700
City Improvement Fund	\$ 136,052
Truck Purchase Fund	\$ 46,877
Enterprise Fund:	
Storm Sewer Fund	\$ 66,390
Internal Service Fund:	
Self Insurance Fund	\$ 8,146

The deficit fund balances in the capital projects funds result from the issuance of bond anticipation notes. The liabilities are reflected on the balance sheets 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 liabilities will be reflected in the general long-term debt account group, thereby eliminating the fund equity deficits.

The deficit fund equity balances in the Enterprise Storm Sewer fund and the Internal Service Self Insurance fund result 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 GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

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; and
- 6.) The State Treasurer's investment pool (STAR Ohio).

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.

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 "Pooled cash and equivalents."

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 2000

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

B. DEPOSITS

At year-end, the carrying amount of the City's deposits was \$ 217,947 and the bank balance was \$ 377,493. Of the bank balance, \$ 100,000 was collateralized by federal depository insurance and \$ 277,493 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 2000. At year end, the City's investment in STAR Ohio was \$ 4,074,580. STAR Ohio is an investment pool managed by the State Treasurer's Office that 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, 2000.

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

NOTE 4 RECEIVABLES, NET OF ALLOWANCE

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

Property taxes	
Current	\$ 1,507,100
Delinquent	82,300
Municipal income taxes, employer withholding	22,131
	\$ 1,611,531

NOTE 5 PREPAID EXPENSES

Prepaid expenses consisted of:

Prepaid insurance	\$ 27,160
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CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 6 FIXED ASSETS AND ACCUMULATED DEPRECIATION

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

	<u>Balance, January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, December 31</u>
Land and improvements	\$ 646,660	\$ 32,889	\$ -	\$ 679,549
Construction in process	-	23,400	-	23,400
Buildings and improvements	713,610	-	-	713,610
Equipment and vehicles	<u>2,320,192</u>	<u>100,119</u>	<u>15,262</u>	<u>2,405,049</u>
	<u>\$ 3,680,462</u>	<u>\$ 156,408</u>	<u>\$ 15,262</u>	<u>\$ 3,821,608</u>

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

<u>Enterprise</u>	<u>Balance, December 31</u>
Land	\$ 83,500
Buildings and facilities	1,018,465
Improvements, utility systems	3,124,152
Machinery and equipment	<u>302,795</u>
	4,528,912
Accumulated depreciation	<u>(2,579,604)</u>
Fixed assets, net of accumulated depreciation	<u>\$ 1,949,308</u>

NOTE 7 DEFERRED REVENUE

Deferred revenue at year-end, related to:

Property taxes receivable	\$ 1,442,300
Special assessments receivable	<u>153,221</u>
	<u>\$ 1,595,521</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 8 GENERAL LONG-TERM DEBT

Changes in general long-term debt during the year consisted of:

	Balance, January 1	Additions	Reductions	Balance, December 31
Due to other governments	\$ 112,442	\$ 85,544	\$ 112,442	\$ 85,544
General obligation bonds	861,928	-	45,241	816,687
Special assessment bonds	76,107	-	14,759	61,348
Capital leases	12,284	8,000	7,068	13,216
Accrued leave benefits	680,700	90,554	-	771,254
Police and fire pension liability	110,115	-	110,115	-
	<u>\$ 1,853,576</u>	<u>\$ 184,098</u>	<u>\$ 289,625</u>	<u>\$ 1,748,049</u>

NOTE 9 BONDS PAYABLE

Bonded debt and activity consisted of:

	Balance January 1	Additions	Reductions	Balance, December 31
<u>Governmental type - general long-term debt account group</u>				
General obligation bonds				
Building improvements (1988)				
7.125% through 2003	\$ 20,000	\$ -	\$ 5,000	15,000
Street improvements (1986)				
7.250% through 2007	48,000	-	6,000	42,000
Street improvements (1992)				
7.500% through 2007	90,000	-	10,000	80,000
Building improvement (1996)				
6.200% through 2016	185,000	-	5,000	180,000
Street improvement (1998)				
5.000% through 2018	485,000	-	15,000	470,000
Total general obligations	<u>\$ 828,000</u>	<u>\$ -</u>	<u>\$ 41,000</u>	<u>\$ 787,000</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 9 BONDS PAYABLE (continued)

	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31</u>
<u>Special assessment bonds with city commitment</u>				
Combination bonds				
Street improvements (1983) 11.125% through 2007 (City portion - 32.63%)	\$ 104,035	\$ -	\$ 13,000	\$ 91,035
Special assessment bonds				
Street improvements (1982) 9.250% through 2000	6,000	-	6,000	-
Total governmental type	<u>\$ 938,035</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 878,035</u>
 <u>Proprietary type - storm sewer fund</u>				
General obligation bonds				
Storm water improvement 5.373% through 2021	\$ -	\$ 2,500,000	\$ -	\$ 2,500,000
 Total bonds payable	 <u>\$ 938,035</u>	 <u>\$ 2,500,000</u>	 <u>\$ 60,000</u>	 <u>\$ 3,378,035</u>

Debt service requirements, including principal and interest, to retire bonds payable outstanding at December 31, 2000 consisted of:

<u>Year</u>	<u>General obligation bonds</u>	<u>Special assessment bonds</u>	<u>Total</u>
2001	\$ 233,652	\$ 15,579	\$ 249,231
2002	335,514	14,605	350,119
2003	326,756	13,630	340,386
2004	312,988	12,656	325,644
2005	304,566	11,682	316,248
2006-2010	1,457,690	20,480	1,478,170
2011-2015	1,356,182	-	1,356,182
2016-2020	904,779	-	904,779
2021	142,762	-	142,762
	<u>\$ 5,232,127</u>	<u>\$ 88,632</u>	<u>\$ 5,320,759</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

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 \$ 20,271 at December 31, 2000. The leases are in effect through 2004. 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, 2000.

<u>Year Ending December 31,</u>	<u>Amount</u>
2001	\$ 5,641
2002	4,980
2003	4,170
2004	<u>3,036</u>
Total minimum lease payments	17,827
Less amount representing interest	<u>(4,611)</u>
Net present value of minimum lease payments	<u><u>\$ 13,216</u></u>

NOTE 11 ACCRUED LEAVE BENEFITS

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

<u>Governmental type</u>	
General long-term debt account group	\$ 771,254
 <u>Proprietary type</u>	
Enterprise funds	<u>47,300</u>
	<u><u>\$ 818,554</u></u>

NOTE 12 PROPERTY TAXES

Property taxes include amounts levied on all real and public utility property and business tangible personal property that 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 2000 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 2000. 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 2000 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 \$ 11.70 per \$ 1,000 of assessed valuation for residential and agricultural real property, and \$ 14.11 per \$ 1,000 of assessed valuation for other real property.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 12 PROPERTY TAXES (continued)

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 varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 2000 was \$ 19.99 per \$ 1,000 of valuation.

Property valuation consisted of:

Real property - 1999	
Residential/agricultural	\$ 114,457,440
Commercial/industrial	10,807,620
Tangible personal property - 2000	
General	4,899,230
Public utilities	<u>3,687,150</u>
Total valuation	<u>\$ 133,851,440</u>

NOTE 13 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.

NOTE 14 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 Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20%. The 2000 employer contribution rate was 10.84% of covered payroll. The City's contribution to PERS for the years ended December 31, 2000, 1999, and 1998, were \$ 110,400, \$ 131,400, and \$ 132,700, respectively, equal to the required contributions for each year. The full amount has been contributed for 1999 and 1998. For 2000, \$ 89,500 (81%) 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 GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 14 PENSION PLANS (continued)

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, 2000, 1999, and 1998 were \$ 268,400, \$ 289,700, and \$ 292,700, respectively, equal to the required contributions for each year. The full amount has been contributed for 1999 and 1998. For 2000, \$ 206,300 (77%) has been contributed, with the remainder being reported as a fund liability and within the general long-term debt account group.

NOTE 15 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 retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients and primary survivor 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 2000 employer contribution rate was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care for 2000. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions.

The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

Summary of Assumptions:

Actuarial Review – The assumptions and calculations below were based on the System's latest actuarial review performed as of December 31, 1999.

Funding Method – An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 % of unrealized market appreciation or depreciation on investments.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (continued)

Public Employees Retirement System of Ohio (PERS) (continued)

Investment Return – The investment assumption rate for 1999 was 7.75%.

Active Employee Total Payroll – An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%.

Health Care – Health care costs were assumed to increase 4.75% annually.

OPEBs are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The rates stated above are the actuarially determined contribution requirement for PERS. The portion of the City's contributions that were used to fund postemployment benefits was \$ 43,800. \$ 10,805.5 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 1999. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$ 12,473.6 million and \$ 1,668.1 million, respectively.

The Retirement Board initiated significant policy changes during 2000. The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rollback was 20%. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

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.

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. The Board defined allocation was 7.25% and 7.0% of covered payroll in 2000 and 1999, respectively. The allocation is 7.5% in 2001. 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, 1999, the date of the last actuarial valuation available, are 12,467 for police and 9,807 for firemen. The City's 2000 contribution to pay postemployment benefits for police and firemen was \$ 42,300 and \$ 46,700, respectively. OP&F's total health care expense for the year ended December 31, 1999 the date of the last actuarial valuation available, was \$ 95,004,633, which was net of member contributions of \$ 5,518,098.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 2000

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, 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. A private insurance company insures excess losses. During the year ended December 31, 2000, the City paid \$ 309,942 of claims and expenses.

The City's third-party administrator has actuarially determined that \$ 8,146 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, 2000. This amount is non-discounted and is based upon historical claims experience. The claims liability of \$ 8,146 reported in the Fund as of December 31, 2000 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, 2000 and 1999 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.

	2000	1999
Unpaid claims, beginning of year	\$ 16,989	\$ 21,376
Incurred claims	301,099	381,463
Claims payments	(309,942)	(385,850)
Unpaid claims, end of year	\$ 8,146	\$ 16,989

NOTE 17 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, 2000 was \$ 2,364.

Future minimum rental payments required under the operating lease as of December 31, 2000 are as follows:

Year ending December 31	Amount
2001	\$ 2,364
2002	2,364
2003	2,364
2004	591
Total future operating lease payments	\$ 7,683

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 18 SEGMENT INFORMATION - ENTERPRISE FUNDS

Segment information related to the City's enterprise funds follows:

	Water	Sanitary Sewer	Storm Sewer	Refuse	Totals
Operating statement					
Operating revenues	\$ 484,903	\$ 806,382	\$ 159,979	\$ 519,999	\$ 1,971,263
Operating expenses					
Personal services	389,148	202,472	-	-	591,620
Contractual services	32,051	455,731	211,229	553,910	1,252,921
Supplies and materials	42,531	36,604	-	-	79,135
Other operating	9,622	3,239	-	-	12,861
Depreciation	1,311	86,421	813	58	88,603
Total operating expenses	474,663	784,467	212,042	553,968	2,025,140
Operating income (loss)	10,240	21,915	(52,063)	(33,969)	(53,877)
Non-operating revenues (expenses)					
Interest revenue	-	-	36,234	-	36,234
Interest and fiscal charges	-	-	(37,242)	-	(37,242)
Total non-operating revenues (expenses)	-	-	(1,008)	-	(1,008)
Net income (loss)	<u>\$ 10,240</u>	<u>\$ 21,915</u>	<u>\$ (53,071)</u>	<u>\$ (33,969)</u>	<u>\$ (54,885)</u>
Other information					
Net working capital	<u>\$ 141,030</u>	<u>\$ 323,274</u>	<u>\$ 2,300,924</u>	<u>\$ 90,132</u>	<u>\$ 2,855,360</u>
Fixed asset, additions	<u>\$ 1,000</u>	<u>\$ 31,000</u>	<u>\$ 293,898</u>	<u>\$ 3,465</u>	<u>\$ 329,363</u>
Total assets	<u>\$ 182,432</u>	<u>\$ 1,989,497</u>	<u>\$ 2,683,607</u>	<u>\$ 132,517</u>	<u>\$ 4,988,053</u>
Contributed capital	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,889</u>	<u>\$ -</u>	<u>\$ 25,889</u>
Total equity (deficit)	<u>\$ 127,792</u>	<u>\$ 1,915,028</u>	<u>\$ (30,833)</u>	<u>\$ 93,539</u>	<u>\$ 2,105,526</u>

NOTE 19 CONTRIBUTED CAPITAL

The changes to the City's contributed capital accounts for its enterprise funds were as follows:

	Water	Sanitary Sewer	Storm Sewer	Refuse	Totals
Beginning balance, 12/31/99	\$ -	\$ -	\$ -	\$ -	\$ -
Capital grants	-	-	25,976	-	25,976
Depreciation	-	-	(87)	-	(87)
Ending balance, 12/31/00	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,889</u>	<u>\$ -</u>	<u>\$ 25,889</u>

NOTE 20 PENDING LITIGATION

The City is a party to certain 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.

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CITY OF SHEFFIELD LAKE, OHIO
SUPPLEMENTAL AUDITOR'S REPORT
DECEMBER 31, 2000

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



COSTIN + COMPANY

Certified Public Accountants
35945 Center Ridge Road
North Ridgeville, OH 44039

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

To the City Council
City of Sheffield Lake, Ohio

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

Compliance

As part of obtaining reasonable assurance about whether City of Sheffield Lake, Ohio'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 City of Sheffield Lake, Ohio, in a separate letter dated June 15, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Sheffield Lake, Ohio'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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of City of Sheffield Lake, Ohio, in a separate letter dated June 15, 2001.

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

North Ridgeville, Ohio
June 15, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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P.O. Box 1140
Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

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
JULY 31, 2001**