

City Of Willowick, Ohio

GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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We have reviewed the Independent Auditor's Report of the City of Willowick, Lake County, prepared by Ciuni & Panichi, Inc., 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 Willowick is responsible for compliance with these laws and regulations.

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JIM PETRO
Auditor of State

May 24, 2001

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CITY OF WILLOWICK, OHIO

FOR THE YEAR ENDED DECEMBER 31, 2000

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of
the Legislative Body
City of Willowick
Willowick, Ohio

We have audited the accompanying general-purpose financial statements of the City of Willowick 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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 Willowick, as of December 31, 2000, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2001 on our consideration of the City of Willowick's internal control over financial reporting and on 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 Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Ciuni & Panichi, Inc.

Cleveland, Ohio
March 29, 2001

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CITY OF WILLOWICK, OHIO

GENERAL-PURPOSE FINANCIAL STATEMENTS

The general-purpose financial statements of the City include the basic combined financial statements, presented by fund type and account group, and notes to the financial statements that are essential to the fair presentation of financial position and results of operations and cash flows or its proprietary fund type.

CITY OF WILLOWICK, OHIO

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 2000

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,149,052	\$ 1,103,399	\$ 95,807	\$ 2,722,368
Receivables:				
Taxes	1,999,950	1,024,890	168,678	798,887
Accounts	21,995	-	-	-
Interest	30,724	-	-	3,561
Intergovernmental	319,737	32,132	130,000	24,278
Interfund	-	-	-	-
Material and Supplies Inventory	8,790	16,365	-	-
Prepaid Items	36,698	7,479	-	-
Fixed Assets (Net of Accumulated Depreciation)	-	-	-	-
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	-	-	-	-
Amount to be Provided from General Government Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Other Debits	\$ <u>3,566,946</u>	\$ <u>2,184,265</u>	\$ <u>394,485</u>	\$ <u>3,549,094</u>

See accompanying notes to the General Purpose Financial Statements

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$ 1,107,650	\$ 53,666	\$ -	\$ -	\$ 6,231,942
-	-	-	-	3,992,405
264,764	-	-	-	286,759
-	-	-	-	34,285
-	-	-	-	506,147
50,000	-	-	-	50,000
-	-	-	-	25,155
21,686	-	-	-	65,863
437,983	-	13,225,721	-	13,663,704
-	-	-	125,807	125,807
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,376,882</u>	<u>1,376,882</u>
\$ <u>1,882,083</u>	\$ <u>53,666</u>	\$ <u>13,225,721</u>	\$ <u>1,502,689</u>	\$ <u>26,358,949</u>

Continued

CITY OF WILLOWICK, OHIO

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)

DECEMBER 31, 2000

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Liabilities</u>				
Accounts Payable	\$ 69,577	\$ 18,386	\$ -	\$ 177,971
Accrued Wages	114,012	26,318	-	-
Accrued Compensated Absences	16,059	32,173	-	-
Due to Other Governments	72,526	14,431	-	372
Interfund Payable	-	-	-	50,000
Deferred Revenue	1,517,499	834,890	268,678	668,888
Accrued Pension	27,462	97,078	-	-
Accrued Interest Payable	-	-	-	30,250
Notes Payable	-	-	-	800,000
General Obligation Bonds Payable	-	-	-	-
Loans Payable	-	-	-	-
Deposits Held	-	-	-	-
Total Liabilities	<u>1,817,135</u>	<u>1,023,276</u>	<u>268,678</u>	<u>1,727,481</u>
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings	-	-	-	-
Fund Balance:				
Reserved for Debt Service	-	-	125,807	-
Reserved for Encumbrances	214,375	196,034	-	403,747
Reserved for Inventory	8,790	16,365	-	-
Reserved for Prepaid Items	36,698	7,479	-	-
Unreserved, Undesignated	<u>1,489,948</u>	<u>941,111</u>	<u>-</u>	<u>1,417,866</u>
Total Fund Equity and Other Credits	<u>1,749,811</u>	<u>1,160,989</u>	<u>125,807</u>	<u>1,821,613</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 3,566,946</u>	<u>\$ 2,184,265</u>	<u>\$ 394,485</u>	<u>\$ 3,549,094</u>

See accompanying notes to the General Purpose Financial Statements

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$ 86,711	\$ -	\$ -	\$ -	\$ 352,645
10,678	-	-	-	151,008
51,545	-	-	685,107	784,884
5,772	-	-	-	93,101
-	-	-	-	50,000
-	-	-	-	3,289,955
3,163	-	-	61,573	189,276
-	-	-	-	30,250
-	-	-	80,000	880,000
-	-	-	670,000	670,000
-	-	-	6,009	6,009
-	53,666	-	-	53,666
<u>157,869</u>	<u>53,666</u>	<u>-</u>	<u>1,502,689</u>	<u>6,550,794</u>
-	-	13,225,721	-	13,225,721
1,724,214	-	-	-	1,724,214
-	-	-	-	125,807
-	-	-	-	814,156
-	-	-	-	25,155
-	-	-	-	44,177
-	-	-	-	3,848,925
<u>1,724,214</u>	<u>-</u>	<u>13,225,721</u>	<u>-</u>	<u>19,808,155</u>
\$ <u>1,882,083</u>	\$ <u>53,666</u>	\$ <u>13,225,721</u>	\$ <u>1,502,689</u>	\$ <u>26,358,949</u>

CITY OF WILLOWICK, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>General</u>	<u>Special Revenue</u>
<u>Revenues</u>		
Property Taxes	\$ 1,654,792	\$ 676,151
Municipal Income Tax	2,083,068	-
Other Local Taxes	297,871	94,576
Intergovernmental	2,222,726	499,071
Charges for Services	26,166	11,081
License and Permits	138,934	-
Fines and Forfeitures	220,806	4,591
Investment Income	333,298	-
Other	<u>57,704</u>	<u>4,825</u>
Total Revenues	<u>7,035,365</u>	<u>1,290,295</u>
<u>Expenditures</u>		
Current:		
Security of Persons and Property	2,618,509	798,621
Public Health	78,884	-
Leisure Time Activities	799,055	6,717
Community Development	191,190	118,703
Basic Utility Services	655,693	164,290
Transportation	233,651	549,607
General Government	1,238,619	-
Capital Outlay	-	-
Debt Service:		
Principal Retirement	-	40,000
Interest and Fiscal Charges	-	-
Total Expenditures	<u>5,815,601</u>	<u>1,677,938</u>
Excess of Revenues Over (Under) Expenditures	<u>1,219,764</u>	<u>(387,643)</u>
<u>Other Financing Sources (Uses)</u>		
Proceeds from Sale of Fixed Assets	12,596	-
Operating Transfers – In	-	345,884
Operating Transfers – Out	<u>(1,290,678)</u>	<u>(706)</u>
Total Other Financing Sources (Uses)	<u>(1,278,082)</u>	<u>345,178</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(58,318)	(42,465)
Fund Balances at Beginning of Year	1,806,096	1,207,132
Increase (Decrease) in Reserve for Inventory	<u>2,033</u>	<u>(3,678)</u>
Fund Balance at Year End	\$ <u>1,749,811</u>	\$ <u>1,160,989</u>

See accompanying notes to the General Purpose Financial Statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
\$ 149,465	\$ 941,595	\$ 3,422,003
-	-	2,083,068
20,906	131,972	545,325
30,875	312,312	3,064,984
-	-	37,247
-	-	138,934
-	-	225,397
-	59,522	392,820
-	<u>29,261</u>	<u>91,790</u>
<u>201,246</u>	<u>1,474,662</u>	<u>10,001,568</u>
-	-	3,417,130
-	-	78,884
-	-	805,772
-	-	309,893
-	-	819,983
-	-	783,258
-	-	1,238,619
-	1,591,862	1,591,862
171,010	-	211,010
<u>67,127</u>	<u>81,750</u>	<u>148,877</u>
<u>238,137</u>	<u>1,673,612</u>	<u>9,405,288</u>
<u>(36,891)</u>	<u>(198,950)</u>	<u>596,280</u>
-	-	12,596
-	945,500	1,291,384
-	-	(1,291,384)
<u>-</u>	<u>945,500</u>	<u>12,596</u>
(36,891)	746,550	608,876
162,698	1,075,063	4,250,989
<u>-</u>	<u>-</u>	<u>(1,645)</u>
\$ <u>125,807</u>	\$ <u>1,821,613</u>	\$ <u>4,858,220</u>

CITY OF WILLOWICK, OHIO

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

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Revenues</u>			
Property Taxes	\$ 1,643,247	\$ 1,654,792	\$ 11,545
Municipal Income Taxes	2,089,996	2,104,680	14,684
Other Local Taxes	295,793	297,871	2,078
Intergovernmental	2,112,076	2,126,915	14,839
Charges for Services	25,983	26,166	183
Licenses and Permits	137,965	138,934	969
Fines and Forfeitures	218,813	220,350	1,537
Investment Income	323,761	326,036	2,275
Other	<u>52,366</u>	<u>52,734</u>	<u>368</u>
Total Revenues	<u>6,900,000</u>	<u>6,948,478</u>	<u>48,478</u>
<u>Expenditures</u>			
Current Operations and Maintenance:			
Security of Persons and Property	2,594,171	2,584,999	9,172
Public Health	78,884	78,884	-
Leisure Time Activities	814,639	809,780	4,859
Community Development	279,246	279,246	-
Basic Utility Services	703,893	692,422	11,471
Transportation	289,383	289,373	10
General Government	<u>1,333,503</u>	<u>1,309,317</u>	<u>24,186</u>
Total Expenditures	<u>6,093,719</u>	<u>6,044,021</u>	<u>49,698</u>
Excess of Revenues Over (Under) Expenditures	806,281	904,457	98,176
<u>Other Financing Sources (Uses)</u>			
Operating Transfers - Out	<u>(1,290,678)</u>	<u>(1,290,678)</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Financing Uses	(484,397)	(386,221)	98,176
Fund Balance at Beginning of Year	1,251,322	1,251,322	-
Outstanding Encumbrances	<u>283,951</u>	<u>283,951</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>1,050,876</u>	\$ <u>1,149,052</u>	\$ <u>98,176</u>

Continued

See accompanying notes to the General Purpose Financial Statements

CITY OF WILLOWICK, OHIO

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

	Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Property Taxes	\$ 656,309	\$ 676,151	\$ 19,842
Other Local Taxes	91,800	94,576	2,776
Intergovernmental	483,369	499,369	16,000
Charges for Services	10,775	11,081	306
Fines and Forfeitures	5,100	4,591	(509)
Other	4,675	4,825	150
Total Revenues	1,252,028	1,290,593	38,565
<u>Expenditures</u>			
Current Operations and Maintenance:			
Security of Persons and Property	973,754	972,773	981
Community Development	119,833	119,583	250
Basic Utility Services	151,832	151,832	-
Transportation	570,377	566,419	3,958
Debt Service:			
Principal Retirement	40,000	40,000	-
Total Expenditures	1,855,796	1,850,607	5,189
Excess of Revenues Over (Under) Expenditures	(603,768)	(560,014)	43,754
<u>Other Financing Sources (Uses)</u>			
Operating Transfers - In	345,884	345,884	-
Operating Transfers - Out	(706)	(706)	-
Total Other Financing Sources (Uses)	345,178	345,178	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(258,590)	(214,836)	43,754
Fund Balance at Beginning of Year	1,121,623	1,121,623	-
Outstanding Encumbrances	196,612	196,612	-
Fund Balance at End of Year	\$ 1,059,645	\$ 1,103,399	\$ 43,754

Continued

See accompanying notes to the General Purpose Financial Statements

CITY OF WILLOWICK, OHIO

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL
GOVERNMENTAL TYPES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Debt Service Fund</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Property Taxes	\$ 145,757	\$ 149,465	\$ 3,708
Other Local Taxes	20,388	20,906	518
Intergovernmental	<u>30,109</u>	<u>30,875</u>	<u>766</u>
Total Revenues	<u>196,254</u>	<u>201,246</u>	<u>4,992</u>
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	1,571,010	1,571,010	-
Interest and Fiscal Charges	<u>118,627</u>	<u>118,627</u>	<u>-</u>
Total Expenditures	<u>1,689,637</u>	<u>1,689,637</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(1,493,383)	(1,488,391)	4,992
<u>Other Financing Sources (Uses)</u>			
Operating Transfers - In	<u>1,451,500</u>	<u>1,451,500</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(41,883)	(36,891)	4,992
Fund Balance at Beginning of Year	<u>132,698</u>	<u>132,698</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>90,815</u>	\$ <u>95,807</u>	\$ <u>4,992</u>

Continued

See accompanying notes to the General Purpose Financial Statements

CITY OF WILLOWICK, OHIO

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

	<u>Capital Projects Funds</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Property Taxes	\$ 925,791	\$ 941,595	\$ 15,804
Other Local Taxes	129,753	131,972	2,219
Intergovernmental	509,495	513,034	3,539
Investment Income	25,342	61,857	36,515
Other	<u>48,123</u>	<u>48,504</u>	<u>381</u>
Total Revenues	1,638,504	1,696,962	58,458
<u>Expenditures</u>			
Capital Outlay	<u>2,453,887</u>	<u>2,401,745</u>	<u>52,142</u>
Excess of Revenues Over (Under) Expenditures	<u>(815,383)</u>	<u>(704,783)</u>	<u>110,600</u>
<u>Other Financing Sources (Uses)</u>			
Operating Transfers - In	860,000	945,500	85,500
Operating Transfers - Out	(1,451,500)	(1,451,500)	-
Proceeds From Sale of Debt	<u>1,250,000</u>	<u>800,000</u>	<u>(450,000)</u>
Total Other Financing Sources (Uses)	<u>658,500</u>	<u>294,000</u>	<u>(364,500)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(156,883)	(410,783)	(253,900)
Fund Balance at Beginning of Year	2,551,434	2,551,434	-
Outstanding Encumbrances	<u>581,717</u>	<u>581,717</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>2,976,268</u>	\$ <u>2,722,368</u>	\$ <u>(253,900)</u>

See accompanying notes to the General Purpose Financial Statements

CITY OF WILLOWICK, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS – PROPRIETARY FUND TYPE

FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Enterprise</u>
<u>Operating Revenues</u>	
Charges for Services	\$ <u>1,423,061</u>
<u>Operating Expenses</u>	
Personal Services	335,014
Contractual Services	888,158
Depreciation	<u>70,967</u>
Total Operating Expenses	<u>1,294,139</u>
Operating Income	128,922
<u>Non-Operating Revenues (Expenses)</u>	
Property Taxes	<u>33,928</u>
Net Income	162,850
Retained Earnings at Beginning of Year	<u>1,561,364</u>
Retained Earnings at End of Year	\$ <u>1,724,214</u>

See accompanying notes to the General Purpose Financial Statements

CITY OF WILLOWICK, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – PROPRIETARY FUND TYPE

FOR THE YEAR ENDED DECEMBER 31, 2000

	Enterprise Fund		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
<u>Revenues</u>			
Property Taxes	\$ 34,786	\$ 33,928	\$ (858)
Charges for Services	<u>1,468,214</u>	<u>1,431,984</u>	<u>(36,230)</u>
Total Revenue	<u>1,503,000</u>	<u>1,465,912</u>	<u>(37,088)</u>
<u>Expenses</u>			
Current Operations and Maintenance:			
Personal Services	325,687	325,687	-
Contractual Services	<u>906,713</u>	<u>906,713</u>	<u>-</u>
Total Expenses	<u>1,232,400</u>	<u>1,232,400</u>	<u>-</u>
Excess of Revenues Over (Under) Expenses	270,600	233,512	(37,088)
Fund Balance at Beginning of Year	858,933	858,933	-
Outstanding Encumbrances	<u>15,205</u>	<u>15,205</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>1,144,738</u>	\$ <u>1,107,650</u>	\$ <u>(37,088)</u>

See accompanying notes to the General Purpose Financial Statements

CITY OF WILLOWICK, OHIO

STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE

FOR THE YEAR ENDED DECEMBER 31, 2000

Cash Flow from Operating Activities

Increase (Decrease) in Cash and Cash Equivalents

Cash Received From Customers	\$ 1,431,984
Cash Payments for Contractual Services	(887,389)
Cash Payments for Employee Services and Benefits	<u>(325,687)</u>
Net Cash Provided by Operating Activities	<u>218,908</u>

Cash Flows from Non-Capital Financing Activities

Property Taxes	<u>33,928</u>
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Cash Flows from Capital and Related Financing Activities

Acquisition of Capital Assets	<u>(4,119)</u>
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Net Increase in Cash and Cash Equivalents 248,717

Cash and Cash Equivalents Beginning of Year 858,933

Cash and Cash Equivalents End of Year \$ 1,107,650

Reconciliation of Operating Income to Net Cash From Operating Activities

Operating Income \$ 128,922

Adjustments to Reconcile Operating Income to Net Cash From Operating Activities

Depreciation	70,967
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	8,923
Increase in Prepaid Items	(3,856)
Increase in Accounts Payable	4,625
Increase in Accrued Wages and Benefits	511
Increase in Compensated Absences Payable	3,037
Increase in Accrued Pension	1,373
Increase in Due to Other Governments	<u>4,406</u>
Net Cash Provided by Operating Activities	\$ <u>218,908</u>

See accompanying notes to the General Purpose Financial Statements

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Willowick have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. THE REPORTING ENTITY

The City of Willowick is a home rule municipal corporation incorporated as a City in 1957 under the laws of the State of Ohio. The City operates under its own charter and is governed by a mayor-council form of government, which was adopted on May 6, 1952.

The Mayor, elected by the voters for a two-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes, and performs the judicial functions of the City. As the chief conservator of the peace, she oversees the enforcement of all laws and ordinances. She also executes all contracts, conveyances, and evidences of indebtedness of the City.

Legislative authority is vested in a seven member council with six members elected from wards and the president of Council elected at large. Members of Council are elected to two year terms. Council enacts ordinances and resolutions relating to tax levies, appropriates and borrows money, and accepts bids for materials and services and other municipal purposes.

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to insure that the financial statements are not misleading, consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity".

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation, and wastewater.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes.

The Willoughby-Eastlake School District and the Willoughby-Eastlake Public Library have been excluded from the reporting entity because the City is not financially accountable for these organizations nor does the City approve the budget, the levying of taxes, or the issuance of debt for these organizations.

The Lake County General Health District, a jointly governed organization, is presented in Note 13 to the City's financial statements.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

B. BASIS OF PRESENTATION – FUND ACCOUNTING

The City's accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a set of self-balancing accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types". The City uses the following fund types and account groups:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions typically are financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The following are the City's governmental fund types:

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

Special Revenue Funds – These funds are established to account for the proceeds of specific revenue sources (other than amounts for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by a proprietary fund).

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

B. BASIS OF PRESENTATION – FUND ACCOUNTING (CONTINUED)

PROPRIETARY FUND TYPE

Proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this approach, the focus is upon the determination of net income, financial position and cash flows.

Enterprise Fund – The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUND TYPE

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City only utilizes the agency fund type.

Agency Funds – Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group – The general fixed assets account group is used to account for all general fixed assets of the City other than those accounted for in the proprietary fund.

General Long-Term Obligations Account Group – The general long-term obligations account group is used to account for all unmatured long-term indebtedness of the City that is not a specific liability of the proprietary fund.

C. BASIS OF ACCOUNTING

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

The modified accrual basis of accounting is utilized for reporting purposes by the governmental and agency funds. Under this method of accounting, the City recognizes revenue and other financing sources when they become both measurable and available (i.e. collectible within the current period or within 31 days thereafter) to finance current City operations. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

C. BASIS OF ACCOUNTING (CONTINUED)

Revenues considered susceptible to accrual at the end of the year include employer withheld income taxes, interest on investments, state-levied locally shared taxes (including motor vehicles license fees, gasoline taxes, and local government assistance), and reimbursements due from federally funded projects for which corresponding expenditures have been made. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Property taxes not due in the current year are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 2000 but not intended to finance the current year's activities have also been recorded as deferred revenue. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled service charges receivable are recognized as revenue at year end.

D. BUDGET

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

TAX BUDGET

During the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

D. BUDGET (CONTINUED)

ESTIMATED RESOURCES

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

APPROPRIATIONS

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

LAPSING OF APPROPRIATIONS

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not re-appropriated as part of the subsequent year appropriations.

ENCUMBRANCES

As part of formal budgetary control, purchase order, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine the maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservations of fund balances for subsequent-year expenditures for governmental funds and as note disclosure for the proprietary fund.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

E. CASH AND CASH EQUIVALENTS

Cash received by the City is deposited into several bank accounts. Monies for all funds, including the enterprise fund, are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the City's records. Each fund's interest in the pooled bank accounts is presented as "cash and cash equivalents" on the combined balance sheet. During fiscal year 2000, investments were limited to money market deposit accounts and STAR OHIO. 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, 2000. All investment earnings accrue to the general fund except those specifically related to certain capital projects and the proprietary fund.

The City utilizes a financial institution to service bonded debt as principal and interest come due. The balance in this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal and Escrow Agents" and represent deposit or short term investments in certificate of deposits with an original maturity of three months or less.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments with an original maturity of three months or less are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

F. INTERFUND ASSETS AND LIABILITIES

Short-term interfund loans are classified as "Interfund Receivables/Payables."

G. INVENTORY

Inventory is stated at cost for governmental funds and at the lower of cost or market for the proprietary fund on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary fund when used.

H. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2000, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. FIXED ASSETS AND DEPRECIATION

General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the general fixed assets account group. Infrastructure fixed assets such as streets, storm sewers and drains are not capitalized by the City and are not reported as part of the general fixed assets account group.

Fixed assets utilized in the proprietary fund are capitalized in the fund.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

I. FIXED ASSETS AND DEPRECIATION (CONTINUED)

Fixed asset values were determined by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimates were calculated by indexing estimated current costs back to the estimated year of acquisition.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the useful lives of the related fixed assets.

The City has elected not to record depreciation in the general fixed assets account group. Depreciation for the proprietary fund fixed assets is determined by allocating the cost of fixed assets over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives are as follows:

Buildings	45 Years
Improvements Other than Buildings (Sewer Lines)	50 Years
Machinery and Equipment	5-15 Years

J. LONG-TERM OBLIGATIONS

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

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

K. COMPENSATED ABSENCES

In conformity with GASB 16, 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 City 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.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

K. COMPENSATED ABSENCES (CONTINUED)

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 “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

L. FUND EQUITY

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditure including amounts that are legally segregated for a specific future use. Fund balances are reserved for encumbrances and inventories of supplies and material.

M. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed.

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

N. MEMORANDUM ONLY – TOTAL COLUMNS

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

O. FINANCIAL REPORTING AND ACCOUNTING FOR 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. The adoption of this approach to accounting for proprietary activities by the City required no change from prior years.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity – Budget and Actual (Budget Basis) – Enterprise Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major difference between the budget basis and the GAAP basis (generally accepted accounting principles) are:

- 1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- 2) Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are treated as expenditures for all funds (budget) rather than as a reservation of fund balances for governmental fund types (GAAP).
- 4) Short-term note proceeds and note principal retirement for governmental funds are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- 5) State statute requires short-term note debt to be repaid from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements for governmental funds to the budgetary basis statements on a fund type basis.

	<u>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses - All Governmental Fund Types</u>			
<u>Projects</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ (58,318)	\$ (42,465)	\$ (36,891)	\$ 746,550
Increase (Decrease) Due to:				
Revenue Accruals	(99,483)	298	1,451,500	1,022,300
Expenditure Accruals	55,531	23,943	(1,451,500)	(1,597,916)
Encumbrances Outstanding	<u>(283,951)</u>	<u>(196,612)</u>	<u>-</u>	<u>(581,717)</u>
Budget Basis	\$ <u>(386,221)</u>	\$ <u>(214,836)</u>	\$ <u>(36,891)</u>	\$ <u>(410,783)</u>

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

<u>Net Income/Excess of Revenues Over Expenses – Enterprise Fund Type</u>	
Net Income	\$ <u>162,850</u>
Increase (Decrease) Due to:	
Revenue Accruals	8,923
Expense Accruals	5,977
Depreciation Expense	70,967
Budget Basis Encumbrances	<u>(15,205)</u>
Budget Basis	\$ <u>233,512</u>

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes require the classification of moneys 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 Council 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 pass book accounts. Interim monies may be invested in the following obligations provided they mature or are redeemable within two years from the date of principal and interest;

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.
2. Bonds, notes, debentures, or other obligations or securities issued by any federal governments agency or instrumentality;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of purchase;

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in divisions (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' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase 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 rated classifications by at least two nationally recognized rating agencies.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys 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 finance director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

GASB Statement 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reserve Repurchase Agreements" requires disclosures to help assess actual and potential future deposit and investment market and credit risk. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

A. DEPOSITS

At year-end, the carrying amount of the City's deposits was \$42,096 and the bank balance was \$132,938. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$32,938 was covered by collateral held by financial institutions not in the City's name or by single financial institution collateralized pools held in the financial institution's name as specified by Section 135.181 of the Ohio Revised Code.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

B. INVESTMENTS

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty'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 counterparty, or by its trust department or agent but not in the City's name. Star Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Value</u>	<u>Fair Value</u>
Investment in State Treasurer's Investment Pool	\$ <u>6,189,846</u>	\$ <u>6,189,846</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less.

NOTE 4 – TAXES

A. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last update was completed in 1994. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for *ad valorem* taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Willowick. The County Auditor periodically remits to the City its portion of the taxes collected.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

NOTE 4 – TAXES (CONTINUED)

A. PROPERTY TAXES (CONTINUED)

The full tax rate for all City operations for the year ended December 31, 2000 was \$19.94 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Real Property	\$ 191,902,710
Public Utility Property	4,093,510
Tangible Personal Property	<u>5,798,824</u>
Total Valuation	\$ <u>201,795,044</u>

B. INCOME TAXES

The City levies a municipal income tax of two percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case the City allows a credit of 87.5 percent of the tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are received by the General Fund.

NOTE 5 – RECEIVABLES

Receivables at December 31, 2000 primarily consisted of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues, special assessments and interest on investments. All receivables are considered fully collectible.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

NOTE 5 – RECEIVABLES (CONTINUED)

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amount</u>
General Fund:	
Local Government	\$ 179,910
Estate Tax	127,270
Local Government – Revenue Assistance	<u>12,557</u>
Total General Fund	<u>319,737</u>
Special Revenue Funds:	
Gasoline/Motor Vehicle License Tax	25,640
Permissive Tax	<u>6,492</u>
Total Special Revenue Fund	<u>32,132</u>
Debt Service:	
Lake County	<u>130,000</u>
Capital Projects:	
Miscellaneous	<u>24,278</u>
TOTAL	\$ <u>506,147</u>

Lake County has acquired land and plant facilities from the City of Willowick. In exchange, the County has agreed to pay directly to the City of Willowick, when due, amounts sufficient to service the City's long-term debt funding requirements relating to the assets.

NOTE 6 – FIXED ASSETS

A summary of the proprietary fund's fixed assets at December 31, 2000 follows:

	<u>Balances</u> <u>12-31-99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>12-31-00</u>
Improvements Other than Buildings (Sewer Lines)	\$ 3,010,878	\$ -	\$ -	\$ 3,010,878
Machinery and Equipment	<u>526,263</u>	<u>4,119</u>	<u>-</u>	<u>530,382</u>
Total	3,537,141	4,119	-	3,541,260
Less accumulated depreciation	<u>(3,032,310)</u>	<u>(70,967)</u>	<u>-</u>	<u>(3,103,277)</u>
Net Fixed Assets	\$ <u>504,831</u>	\$ <u>(66,848)</u>	\$ <u>-</u>	\$ <u>437,983</u>

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

NOTE 6 – FIXED ASSETS (CONTINUED)

Changes in general fixed assets during 2000 were as follows:

	Balances 12-31-99	Additions	Deductions	Balances 12-31-00
Land	\$ 738,242	\$ -	\$ -	\$ 738,242
Buildings and Improvements	6,485,071	1,591,418	9,092	8,067,397
Land Improvements	334,180	43,791	-	377,971
Machinery and Equipment	3,573,093	517,400	225,379	3,865,114
Construction in Progress	<u>1,240,077</u>	<u>176,997</u>	<u>1,240,077</u>	<u>176,997</u>
Total	\$ <u>12,370,663</u>	\$ <u>2,329,606</u>	\$ <u>1,474,548</u>	\$ <u>13,225,721</u>

NOTE 7 – LONG-TERM OBLIGATIONS

Change in long-term obligations of the City during 2000 were as follows:

	Outstanding 12-31-99	Additions	(Reductions)	Outstanding 12-31-00
GENERAL LONG-TERM OBLIGATIONS				
7.25% Street Improvement Series 1986-1 (Waterlines)	\$ 150,000	\$ -	\$ (20,000)	\$ 130,000
7.25% Street Improvement Series 1986-1 (Bayridge)	545,000	-	(75,000)	470,000
6.875% Municipal Center 1976	<u>140,000</u>	<u>-</u>	<u>(70,000)</u>	<u>70,000</u>
Total General Obligation Bonds	\$ <u>835,000</u>	\$ <u>-</u>	\$ <u>(165,000)</u>	\$ <u>670,000</u>
OTHER OBLIGATIONS				
Mortgage Note	\$ 120,000	\$ -	\$ (40,000)	\$ 80,000
0% OPWC Loan	12,019	-	(6,010)	6,009
Compensated Absences	742,935	-	(57,828)	685,107
Accrued Pension	<u>63,046</u>	<u>-</u>	<u>(1,473)</u>	<u>61,573</u>
Total Other Obligations	\$ <u>938,000</u>	\$ <u>-</u>	\$ <u>(105,311)</u>	\$ <u>832,689</u>
Total General Long-Term Obligations and Other Obligations	\$ <u>1,773,000</u>	\$ <u>-</u>	\$ <u>(270,311)</u>	\$ <u>1,502,689</u>

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

General obligation bonds will be paid from the debt service fund. The waterline debt is paid from reimbursement from Lake County to the debt service fund. The police pension liability will be paid from taxes received in the police pension special revenue fund. Compensated absences reported in the “compensated absences payable” account will be paid from the fund from which the employees’ salaries are paid. Capital leases will be paid from special revenue fund moneys.

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

	General Obligations Bonds	Ohio Public Works Loan	Police Pension	Mortgage Note
2001	\$ 213,313	\$ 6,009	\$ 3,207	\$ 40,000
2002	131,613	-	3,207	40,000
2003	129,725	-	3,207	-
2004	122,475	-	3,207	-
2005	120,225	-	3,207	-
2006 to 2010	112,613	-	16,036	-
2011 to 2035	-	-	78,434	-
Totals	\$ <u>829,964</u>	\$ <u>6,009</u>	\$ <u>110,505</u>	\$ <u>80,000</u>

NOTE 8 – NOTE DEBT

The City’s note activity for the year ended December 31, 2000 is as follows:

	Balances 12-31-99	Additions	Deductions	Balances 12-31-00
Capital Projects Fund:				
3.75% Manry Park Improvement	\$ 600,000	\$ -	\$ (600,000)	\$ -
6.0% Sanitary Sewer Improvement	800,000	-	(800,000)	-
4.95% Sanitary Sewer Improvement	<u>-</u>	<u>800,000</u>	<u>-</u>	<u>800,000</u>
Total Notes	\$ <u>1,400,000</u>	\$ <u>800,000</u>	\$ <u>(1,400,000)</u>	\$ <u>800,000</u>

These notes are backed by the full faith and credit of Willowick City and mature within one year. The note liability was reflected in the fund which received the proceeds. The notes are generally issued in anticipation of long-term bond refinancing and are refinanced until such bonds are issued.

NOTE 9 – OPERATING LEASES

The City is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the City’s account groups.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

NOTE 9 – OPERATING LEASES (CONTINUED)

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2000:

<u>Year Ending</u> <u>December 31</u>	<u>Amounts</u>
2001	\$ 14,132
2002	13,404
2003	13,404
2004	3,144
2005	<u>364</u>
Total minimum payments required	\$ <u>44,448</u>

NOTE 10 – EMPLOYEE BENEFITS – COMPENSATED ABSENCES

Employees earn vacation and sick leave at different rates which are affected by length of service. Sick leave accrual is continuous, without limit. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

Upon retirement, an employee can be paid for his/her accumulated hours of sick leave up to 960 hours, except fire department employees, who are part time and do not accumulate sick leave. Upon retirement, termination, or death of the employee, vacation is paid for the total time accumulated for the employee.

For governmental funds, the current portion of unpaid compensated absences is the amount to be paid using available expendable resources, and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. At December 31, 2000, these amounts were \$48,232 and \$685,107, respectively. The full amount of accrued vacation is classified as current, as it must be taken within the next calendar year and thus will be paid using available expendable resources.

In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability. The liability for compensated absences in the proprietary fund at December 31, 2000 was \$51,545.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

NOTE 11 – DEFINED BENEFIT PENSION PLANS

The City has implemented GASB No. 27 “Accounting for Pensions of State and Local Government Employees,” which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets and note disclosures in the financial reports of the state and local government employers.

The City contributes to two cost-sharing multiple-employer defined benefit plans: (1) Public Employees Retirement System of Ohio (PERS) and (2) Ohio Police and Fire Pension Fund (OP&F). Both plans provide 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 for PERS and Chapter 742 for OP&F. PERS and OP&F issue stand-alone financial reports. Interested parties may obtain a copy from PERS 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. Interested parties may obtain a copy from OP&F by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

A. PUBLIC EMPLOYEE RETIREMENT SYSTEM

The Ohio Revised Code provides statutory authority for employee and employer contributions. During 2000, PERS employees contributed 8.5% of their salary to the plan. The Retirement Board instituted 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 rate rollback was 20% for local governments, resulting in the City contributing 10.84% of covered payroll to the plan for 2000, of which 4.3% was applied towards the health care program for retirees. The City’s contributions to PERS for the years ending December 31, 2000, 1999 and 1998 were \$160,648, \$211,514, and \$195,049, respectively, equal to the required contributions for each year.

B. OHIO POLICE AND FIRE PENSION FUND

The Ohio Revised Code provides statutory authority for employee and employer contributions. During 2000, plan members contributed 10% of their salary to the plan and the City contributed 19.5% of gross salary for police officers, of which 7.25% was applied towards the health care program for retirees. The City’s contributions to OP&F for the years ending December 31, 2000, 1999 and 1998 were \$253,067, \$234,096, and \$229,689, respectively, equal to the required contributions for each year.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

State statute provides that the City fund health care benefits as a post-employment benefit through employer contributions to PERS and OP&F.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

PERS provides post-retirement health care coverage to age and service retirees with 10 years or more of qualifying service credit. The post-retirement health care benefits cover disability recipients and primary survivor recipients. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefits (OPEB) as described in GASB Statement No. 12. A portion of the City's contribution funds post-retirement health care coverage. During 2000, the City's portion that was used to fund health care was \$105,625, representing 4.3% of covered payroll.

The post-retirement health care coverage is advance-funded on an actuarially determined basis. The following assumptions and calculations were based on PERS's latest actuarial review performed as of December 31, 1999; an entry age normal actuarial cost method of valuation is used in determining the present value of benefit liabilities; the difference between assumed and actual experience is part of the unfunded actuarial accrued liability; the investment assumption rate for 1999 was 7.75%; all investments are carried at market value; for actuarial valuation purposes, a smoothed market approach is used – meaning that assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets; individual pay increases are assumed to increase 4.75% compounded annually, with no change in the number of active employees; annual pay increases over and above the 4.75% base increase were assumed to range from 0.54% to 5.1%; and health care costs are assumed to increase 4.75% annually. The actuarially accrued post-retirement health care liability for PERS at December 31, 1999 was \$12,473,600,000. The net assets were \$10,805,500,000, leaving an unfunded actuarial accrued liability of \$1,668,100,000. The number of active participants was 401,339.

B. OHIO POLICE AND FIRE PENSION FUND

OP&F provides post-retirement health care coverage to any police officer or firefighter 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 two-thirds basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefits (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Post-retirement health care coverage is funded by a portion of the City's contribution and is determined on a pay-as-you-go basis.

A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.0% and 7.25% of covered payroll in 1999 and 2000, respectively. The allocation is 7.5% in 2001. 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. During 2000, the City's portion that was used to fund health care was \$94,141 for police. The number of participants eligible to receive health care benefits as of December 31, 1999, the date of the last actuarial valuation available, was 12,467 for police. 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 WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

NOTE 13 – JOINTLY GOVERNED ORGANIZATION

LAKE COUNTY GENERAL HEALTH DISTRICT

The Lake County General Health District, a jointly governed organization, provides health services to the citizens within the County. The Board of Health, which consists of a representative from each of the participating governments, oversees the operation of the District. The members are elected to staggered five year terms. Two members are elected by the City of Mentor. The remaining 13 members are elected by the various mayors of villages, chairmen of the township trustees, and the County Commissioners. Five townships, nine villages, and nine cities, including the City of Willowick, participate in the District. The City contributed \$78,884 during 2000 for the operation of the District.

NOTE 14 – INTERFUND ASSETS AND LIABILITIES

INTERFUND RECEIVABLE/PAYABLE

	<u>Receivable</u>	<u>Payable</u>
Sewer Revenue Enterprise Fund	\$ 50,000	\$ -
Euclid Parallel Sewer Project Capital Project Fund	<u>-</u>	<u>50,000</u>
Total	\$ <u>50,000</u>	\$ <u>50,000</u>

NOTE 15 – 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. During 2000, the City contracted with Wichert Insurance Services, Inc. for various types of insurance as follows:

Type of Coverage

Property	\$ 15,099,551
Boilers and Machinery	20,000,000
Inland Marine	317,924
Crime	100,000
Automobile Liability	1,000,000
General Liability	1,000,000
EMT Liability	1,000,000
Law Enforcement Liability	1,000,000
Public Officials Liability	1,000,000
Umbrella Liability	5,000,000

Willowick participates in the Ohio Municipal League public risk pool for workers' compensation. The Group Rating Plan is administered by Gates McDonald. The OML Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee.

CITY OF WILLOWICK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000

NOTE 16 – OPERATING TRANSFERS

The City's Combined Statement of Revenue, Expenditures, and Changes in Fund Balances-Budget (Non-GAAP Budgetary Basis) and Actual – All Governmental Fund Types displays operating transfers-in and-out for the year ended December 31, 2000. A reconciliation of operating transfers, including fiduciary funds not budgeted are as follows:

	<u>Operating Transfers-In</u>	<u>Operating Transfers-Out</u>
General Fund	\$ -	\$ 1,290,678
Special Revenue Funds:		
State Highway	25,000	-
Senior Citizen Center	120,000	-
Police Pension	200,000	-
DUI Enforcement Education	178	528
Drug Law Enforcement	706	178
Debt Service Fund	1,451,500	-
Capital Project Funds:		
Street Improvement	300,000	-
Manry Park Improvement	85,500	622,500
Sanitary Sewer Improvement	30,000	829,000
Senior Citizens Center Improvement	530,000	-
Totals	<u>\$ 2,742,884</u>	<u>\$ 2,742,884</u>

The transfers out of the Manry Park Improvement and the Sanitary Sewer Improvement Capital Project Funds and the transfers in to the Debt Service Fund have been eliminated on a GAAP basis. This is due to the reclassification of note principal and interest payments from the Debt Service Fund to the respective Capital Project Funds.

NOTE 17 – CONTINGENCIES/PENDING LITIGATION

The City is involved in various litigation, claims, and inquiries (including PERS) most of which are routine to the nature of a municipality. It is the opinion of the City's management that the ultimate settlement of such litigation will not result in a material adverse effect on the City's financial position and results of operations.

NOTE 18 – SUBSEQUENT EVENTS

The City has been awarded a grant from the Ohio Public Works Commission for sanitary sewer rehabilitation in the amount of \$275,000. The grant agreement will be released by the Commission on July 1, 2001.

The City of Willowick is implementing a major sewer rehabilitation project during the period 1999 through 2004. Approximately \$500,000 will be spent on the assessment of the project; however, engineer estimates show that the total cost of the project may be as high as \$10 million. The City will rollover \$1,000,000 in bond anticipation notes in March 2001 that were originally issued in order to cover the initial costs of the project. Upon completion, the total cost of the project will be financed through bonds.

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

Honorable Mayor and Members of
the Legislative Body
City of Willowick
Willowick, Ohio

We have audited the financial statements of the City of Willowick, as of and for the year ended December 31, 2000, and have issued our report thereon dated March 29, 2001. 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 of Willowick's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City of Willowick, Ohio, in a separate letter dated March 29, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Willowick's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not 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 a matter involving the internal control over financial reporting, which we have reported to management of the City of Willowick in a separate letter dated March 29, 2001.

This report is intended solely for the information and use of the Audit Committee, Management and City Council, and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Ciuni & Panichi, Inc.

Cleveland, Ohio
March 29, 2001

CITY OF WILLOWICK, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2000

1. Summary of Auditor's Results

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	No

2. Findings Related to the Financial Statements Required to Be Reported in Accordance with GAGAS

None noted.

3. Other Findings

None noted.

CITY OF WILLOWICK, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2000

There were no prior audit findings.

**CITY OF WILLOWICK
30435 LAKESHORE BOULEVARD
WILLOWICK, OHIO 44095
(440) 585-3700**

**Response to Findings Associated With
Audit Conducted in Accordance with *Government Auditing Standards*
for the Year Ended December 31, 2000**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
Not applicable			



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF WILLOWICK

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 5, 2001**