

CITY OF SHEFFIELD LAKE, OHIO
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of 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 for the audit period January 1, 2001 through December 31, 2001. 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.

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

JIM PETRO
Auditor of State

June 12, 2002

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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, 2001 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, 2001, 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 April 30, 2002 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
April 30, 2002

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and other debits</u>				
<u>Assets</u>				
Pooled cash and equivalents	\$ 289,661	\$ 416,219	\$ 267,297	\$ 104,697
Cash and investments with fiscal agents	-	-	749	-
Receivables				
Taxes	335,351	1,048,300	70,800	-
Special assessments	-	-	145,521	-
Accounts and other	19,582	-	-	-
Due from other governments	31,591	205,373	4,274	84,211
Interfund receivable	-	-	2,117	-
Inventories and supplies	3,049	5,169	-	-
Prepaid expenses	26,180	2,549	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
<u>Other debits</u>				
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>\$ 705,414</u>	<u>\$ 1,677,610</u>	<u>\$ 490,758</u>	<u>\$ 188,908</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	Agency	General Fixed Assets	General Long- term Debt	
\$ 2,899,435	\$ 2,231	\$ 47,833	\$ -	\$ -	\$ 4,027,373
-	-	5,976	-	-	6,725
-	-	194,600	-	-	1,649,051
-	-	-	-	-	145,521
310,318	-	-	-	-	329,900
-	-	11,772	-	-	337,221
-	-	-	-	-	2,117
-	-	-	-	-	8,218
2,363	-	-	-	-	31,092
4,535,989	-	-	4,038,229	-	8,574,218
(2,673,246)	-	-	-	-	(2,673,246)
-	-	-	-	265,614	265,614
-	-	-	-	588,791	588,791
-	-	-	-	17,250	17,250
-	-	-	-	791,436	791,436
<u>\$ 5,074,859</u>	<u>\$ 2,231</u>	<u>\$ 260,181</u>	<u>\$ 4,038,229</u>	<u>\$ 1,663,091</u>	<u>\$ 14,101,281</u>

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, fund equity and other credits</u>				
<u>Liabilities</u>				
Accounts and contracts payable	\$ 29,734	\$ 15,494	\$ 3,800	\$ 1,253
Accrued expenses				
Salaries, wages, and benefits	41,633	4,309	-	-
Interest	-	-	-	3,125
Claims payable	-	-	-	-
Matured bonds and coupons payable	-	-	749	-
Due to others	-	-	-	-
Due to other governments	8,706	1,373	-	-
Interfund payable	-	-	-	2,117
Deferred revenue	343,496	1,230,306	220,595	-
Notes payable	-	-	-	200,000
OWPC loans	-	-	-	-
Bonds payable				
General obligation	-	-	-	-
Special assessment	-	-	-	-
Capital leases	-	-	-	-
Accrued leave benefits	6,997	440	-	-
Total liabilities	<u>430,566</u>	<u>1,251,922</u>	<u>225,144</u>	<u>206,495</u>
<u>Fund equity and other credits</u>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings				
Unreserved	-	-	-	-
Fund balance				
Reserved for inventory	3,049	5,169	-	-
Reserved for prepaids	26,180	2,549	-	-
Reserved for encumbrances	7,346	34,281	-	88
Reserved for debt service	-	-	265,614	-
Unreserved	238,273	383,689	-	(17,675)
Total fund equity and other credits	<u>274,848</u>	<u>425,688</u>	<u>265,614</u>	<u>(17,587)</u>
Total liabilities, fund equity and other credits	<u>\$ 705,414</u>	<u>\$ 1,677,610</u>	<u>\$ 490,758</u>	<u>\$ 188,908</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	Agency	General Fixed Assets	General Long- term Debt	
\$ 59,892	\$ -	\$ -	\$ -	\$ -	\$ 110,173
7,107	-	-	-	-	53,049
11,360	-	-	-	-	14,485
-	42,529	-	-	-	42,529
-	-	-	-	-	749
-	-	53,243	-	-	53,243
63,665	-	206,938	-	98,454	379,136
-	-	-	-	-	2,117
-	-	-	-	-	1,794,397
-	-	-	-	-	200,000
137,979	-	-	-	35,371	173,350
2,500,000	-	-	-	766,445	3,266,445
-	-	-	-	52,589	52,589
-	-	-	-	17,250	17,250
64,462	-	-	-	692,982	764,881
<u>2,844,465</u>	<u>42,529</u>	<u>260,181</u>	<u>-</u>	<u>1,663,091</u>	<u>6,924,393</u>
-	-	-	4,038,229	-	4,038,229
25,369	-	-	-	-	25,369
2,205,025	(40,298)	-	-	-	2,164,727
-	-	-	-	-	8,218
-	-	-	-	-	28,729
-	-	-	-	-	41,715
-	-	-	-	-	265,614
-	-	-	-	-	604,287
<u>2,230,394</u>	<u>(40,298)</u>	<u>-</u>	<u>4,038,229</u>	<u>-</u>	<u>7,176,888</u>
<u>\$ 5,074,859</u>	<u>\$ 2,231</u>	<u>\$ 260,181</u>	<u>\$ 4,038,229</u>	<u>\$ 1,663,091</u>	<u>\$ 14,101,281</u>

CITY OF SHEFFIELD LAKE, OHIO

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

FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Local taxes	\$ 1,407,438	\$ 984,551	\$ 65,568	\$ -
Intergovernmental revenue	436,616	562,268	8,733	84,211
Special assessments	-	-	22,128	-
Charges for services	112,992	138	-	-
Fines, licenses, and permits	171,297	42,242	-	-
Interest	71,718	4,147	-	-
Miscellaneous	59,651	17,742	-	74
Total revenues	<u>2,259,712</u>	<u>1,611,088</u>	<u>96,429</u>	<u>84,285</u>
Expenditures				
Current				
Security of persons and property	1,201,259	1,254,541	-	-
Public health and welfare	32,774	-	-	-
Leisure time activities	95,368	64,987	-	-
Community environment	121,376	36,731	-	-
Transportation	4,931	361,021	-	-
General government	558,906	5,816	-	-
Capital outlay	2,317	8,683	-	119,946
Debt service				
Bond principal	-	-	59,001	-
Capital lease principal	5,754	646	-	-
Interest and fiscal charges	2,090	15	60,107	17,814
Total expenditures	<u>2,024,775</u>	<u>1,732,440</u>	<u>119,108</u>	<u>137,760</u>
Excess (deficiency) of revenues over expenditures	<u>234,937</u>	<u>(121,352)</u>	<u>(22,679)</u>	<u>(53,475)</u>
Other financing sources (uses)				
Operating transfers-in	754,743	54,200	63,079	228,902
Note proceeds	-	-	-	35,371
Capital lease	10,434	-	-	-
Operating transfers-out	(1,100,924)	-	-	-
Total other financing sources (uses)	<u>(335,747)</u>	<u>54,200</u>	<u>63,079</u>	<u>264,273</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(100,810)</u>	<u>(67,152)</u>	<u>40,400</u>	<u>210,798</u>
Fund balances, beginning of year	<u>375,658</u>	<u>492,840</u>	<u>225,214</u>	<u>(228,385)</u>
Fund balances, end of year	<u>\$ 274,848</u>	<u>\$ 425,688</u>	<u>\$ 265,614</u>	<u>\$ (17,587)</u>

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

Totals
(Memorandum
Only)

\$ 2,457,557
1,091,828
22,128
113,130
213,539
75,865
77,467
4,051,514

2,455,800
32,774
160,355
158,107
365,952
564,722
130,946

59,001
6,400
80,026
4,014,083

37,431

1,100,924
35,371
10,434
(1,100,924)
45,805

83,236
865,327

\$ 948,563

CITY OF SHEFFIELD LAKE, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (NON-GAAP BASIS) – ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2001

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Local taxes	\$ 1,407,518	\$ 1,407,518	\$ -
Intergovernmental revenue	435,221	435,221	-
Special assessments	-	-	-
Charges for services	94,120	94,120	-
Fines, licenses, and permits	171,297	171,297	-
Interest	71,608	71,718	110
Miscellaneous	59,651	59,651	-
Total revenues	<u>2,239,415</u>	<u>2,239,525</u>	<u>110</u>
Expenditures			
Current			
Security of persons and property	1,309,072	1,223,434	85,638
Public health and welfare	37,450	29,935	7,515
Leisure time activities	98,378	95,502	2,876
Community environment	125,233	120,997	4,236
Transportation	4,901	4,625	276
General government	624,290	596,487	27,803
Capital outlay	2,317	2,317	-
Debt service			
Bond principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>2,201,641</u>	<u>2,073,297</u>	<u>128,344</u>
Excess (deficiency) of revenues over expenditures	<u>37,774</u>	<u>166,228</u>	<u>128,454</u>
Other financing sources (uses)			
Operating transfers-in	754,743	754,743	-
Note proceeds	-	-	-
Operating transfers-out	<u>(1,103,427)</u>	<u>(1,100,924)</u>	<u>2,503</u>
Total other financing sources (uses)	<u>(348,684)</u>	<u>(346,181)</u>	<u>2,503</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(310,910)	(179,953)	130,957
Prior year encumbrances	26,575	26,575	-
Fund balances, beginning of year	<u>421,191</u>	<u>421,191</u>	<u>-</u>
Fund balances, end of year	<u>\$ 136,856</u>	<u>\$ 267,813</u>	<u>\$ 130,957</u>

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

Special Revenue		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 984,551	\$ 984,551	\$ -
558,810	558,810	-
-	-	-
138	138	-
42,242	42,242	-
4,033	4,147	114
8,752	8,752	-
<u>1,598,526</u>	<u>1,598,640</u>	<u>114</u>

Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 65,568	\$ 65,568	\$ -
8,733	8,733	-
22,128	22,128	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>96,429</u>	<u>96,429</u>	<u>-</u>

1,409,446	1,285,865	123,581
-	-	-
71,627	67,365	4,262
39,277	37,008	2,269
410,284	393,645	16,639
9,700	6,601	3,099
16,400	8,983	7,417
-	-	-
-	-	-
<u>1,956,734</u>	<u>1,799,467</u>	<u>157,267</u>

-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
838,101	759,001	79,100
97,164	89,009	8,155
<u>935,265</u>	<u>848,010</u>	<u>87,255</u>

<u>(358,208)</u>	<u>(200,827)</u>	<u>157,381</u>
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<u>(838,836)</u>	<u>(751,581)</u>	<u>87,255</u>
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54,200	54,200	-
-	-	-
-	-	-
<u>54,200</u>	<u>54,200</u>	<u>-</u>

291,981	291,981	-
500,000	500,000	-
-	-	-
<u>791,981</u>	<u>791,981</u>	<u>-</u>

(304,008)	(146,627)	157,381
64,495	64,495	-
<u>441,081</u>	<u>441,081</u>	<u>-</u>

(46,855)	40,400	87,255
-	-	-
<u>223,097</u>	<u>223,097</u>	<u>-</u>

<u>\$ 201,568</u>	<u>\$ 358,949</u>	<u>\$ 157,381</u>
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<u>\$ 176,242</u>	<u>\$ 263,497</u>	<u>\$ 87,255</u>
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CITY OF SHEFFIELD LAKE, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (NON-GAAP BASIS) – ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2001

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Local taxes	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-
Special assessments	-	-	-
Charges for services	-	-	-
Fines, licenses, and permits	-	-	-
Interest	-	-	-
Miscellaneous	74	74	-
Total revenues	<u>74</u>	<u>74</u>	<u>-</u>
Expenditures			
Current			
Security of persons and property	-	-	-
Public health and welfare	-	-	-
Leisure time activities	-	-	-
Community environment	-	-	-
Transportation	-	-	-
General government	-	-	-
Capital outlay	106,061	90,672	15,389
Debt service			
Bond principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>106,061</u>	<u>90,672</u>	<u>15,389</u>
Excess (deficiency) of revenues over expenditures	<u>(105,987)</u>	<u>(90,598)</u>	<u>15,389</u>
Other financing sources (uses)			
Operating transfers-in	-	-	-
Note proceeds	-	-	-
Operating transfers-out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(105,987)	(90,598)	15,389
Prior year encumbrances	33,066	33,066	-
Fund balances, beginning of year	<u>161,429</u>	<u>161,429</u>	<u>-</u>
Fund balances, end of year	<u>\$ 88,508</u>	<u>\$ 103,897</u>	<u>\$ 15,389</u>

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

Totals
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,457,637	\$ 2,457,637	\$ -
1,002,764	1,002,764	-
22,128	22,128	-
94,258	94,258	-
213,539	213,539	-
75,641	75,865	224
68,477	68,477	-
<u>3,934,444</u>	<u>3,934,668</u>	<u>224</u>
2,718,518	2,509,299	209,219
37,450	29,935	7,515
170,005	162,867	7,138
164,510	158,005	6,505
415,185	398,270	16,915
633,990	603,088	30,902
124,778	101,972	22,806
838,101	759,001	79,100
97,164	89,009	8,155
<u>5,199,701</u>	<u>4,811,446</u>	<u>388,255</u>
<u>(1,265,257)</u>	<u>(876,778)</u>	<u>388,479</u>
1,100,924	1,100,924	-
500,000	500,000	-
<u>(1,103,427)</u>	<u>(1,100,924)</u>	<u>2,503</u>
<u>497,497</u>	<u>500,000</u>	<u>2,503</u>
(767,760)	(376,778)	390,982
124,136	124,136	-
<u>1,246,798</u>	<u>1,246,798</u>	<u>-</u>
<u>\$ 603,174</u>	<u>\$ 994,156</u>	<u>\$ 390,982</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, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating revenues			
Charges for services	\$ 2,095,966	\$ 337,309	\$ 2,433,275
Total operating revenues	2,095,966	337,309	2,433,275
Operating expenses			
Personal services	650,436	-	650,436
Contractual services	1,224,800	-	1,224,800
Supplies and materials	39,045	-	39,045
Other operating	46,941	369,461	416,402
Depreciation	93,642	-	93,642
Total operating expenses	2,054,864	369,461	2,424,325
Operating income (loss)	41,102	(32,152)	8,950
Nonoperating revenues (expenses)			
Interest income	94,479	-	94,479
Interest and fiscal charges	(169,495)	-	(169,495)
Total nonoperating revenues (expenses)	(75,016)	-	(75,016)
Net loss	(33,914)	(32,152)	(66,066)
Add depreciation on fixed assets acquired by capital grants which reduces contributed capital from such grants	520	-	520
Retained earnings, beginning of year (as restated)	2,238,419	(8,146)	2,230,273
Retained earnings, end of year	\$ 2,205,025	\$ (40,298)	\$ 2,164,727

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

CITY OF SHEFFIELD LAKE, OHIO
 COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
Cash flows from operating activities:			
Operating income (loss)	\$ 41,102	\$ (32,152)	\$ 8,950
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	93,642	-	93,642
Changes in net assets (increase) decrease and liabilities increase (decrease)			
Receivables	21,713	-	21,713
Prepaid expenses	(299)	-	(299)
Accounts and contracts payable	(63,802)	-	(63,802)
Accrued salaries, wages and benefits	2,620	-	2,620
Claims payable	-	34,383	34,383
Due to other governments	42,068	-	42,068
Accrued leave benefits	17,162	-	17,162
Total adjustments	113,104	34,383	147,487
Net cash provided by operating activities	154,206	2,231	156,437
Cash flows from capital and related financing activities:			
Note principal payment	(13,863)	-	(13,863)
Interest payments	(191,742)	-	(191,742)
Acquisition of fixed assets	(7,077)	-	(7,077)
Net cash (used in) capital and related financing activities	(212,682)	-	(212,682)
Cash flows from investing activities:			
Interest income	94,479	-	94,479
Net cash provided by investing activities	94,479	-	94,479
Net increase in cash and equivalents	36,003	2,231	38,234
Equity in pooled cash and equivalents, beginning of year	2,863,432	-	2,863,432
Equity in pooled cash and equivalents, end of year	\$ 2,899,435	\$ 2,231	\$ 2,901,666

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

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.

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City.

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 organizations' 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 organizations' 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 that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City does not have any component units, therefore the financial statements are that of the primary government.

The City is associated with the Lorain County General Health District, a jointly governed organization, which provides health services to the members of the Health District. The City does not have any financial interest in or responsibility for the Health District. The County Auditor serves as fiscal agent. See Note 24.

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed with an aggregation program for the purchase of electricity. See Note 24.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. For this fiscal year the City has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Receipt Reporting for Certain Shared Nonexchange Revenues." The implementation of these pronouncements did not require restatement of beginning of year fund balances.

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:

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (continued)

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.

Proprietary funds

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

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

Fiduciary funds

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

Account groups

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

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

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING

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

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

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

D. BUDGETARY PROCESS AND REPORTING

Budget

A budget of estimated cash receipts and disbursements is submitted to the Lorain County Auditor, as secretary of the county budget commission, by July 20 of each year for the period January 1 to December 31 of the following year. 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.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS AND REPORTING (continued)

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 Balances - Budget and Actual (non-GAAP basis) - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications.

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

Encumbrances

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

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).

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS AND REPORTING (continued)

Budgetary reporting (continued)

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:

	Excess (deficiency) of revenues over Expenditures and other sources (uses) - reconciliation of budget basis to GAAP basis			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds
Budget basis	\$ (179,953)	\$ (146,627)	\$ 40,400	\$ (90,598)
Adjustments, increase (decrease)				
Revenue accruals	30,621	12,448	(728,902)	313,113
Expenditure accruals	48,522	67,027	728,902	(11,717)
GAAP basis, as reported	\$ (100,810)	\$ (67,152)	\$ 40,400	\$ 210,798

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

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost. The City has invested in funds in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2001,

G. RECEIVABLES

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 account group. Special assessment bonded debt with governmental commitment has been reflected in the general long-term debt account group.

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.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 2 COMPLIANCE AND ACCOUNTABILITY

Not apparent in the general purpose financial statements are deficit fund equity balances of \$ 52,398 in the City Improvement Fund, a Capital Projects fund, and \$ 15,032 in the Storm Sewer Fund, an Enterprise fund. These deficit fund equity balances result from reflecting expenditures and expenses in accordance with the modified accrual basis and 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 RESTATEMENT OF PRIOR YEAR RETAINED EARNINGS

Beginning of year retained earnings balances have been restated to reflect the corrected amount of accounts receivable in the Enterprise funds as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Storm Sewer</u>	<u>Total</u>
Beginning balance, as previously reported	\$ 127,792	\$1,915,028	\$ 93,539	\$ (56,722)	\$2,079,637
Adjustment	33,760	59,581	42,360	23,081	158,782
Beginning balance, as restated	<u>\$ 161,552</u>	<u>\$1,974,609</u>	<u>\$ 135,899</u>	<u>\$ (33,641)</u>	<u>\$2,238,419</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 4 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;
- 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.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 2001

NOTE 4 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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."

B. DEPOSITS

At year-end, the carrying amount of the City's deposits was \$ 190,817 and the bank balance was \$ 207,854. Of the bank balance, \$ 100,000 was collateralized by federal depository insurance and \$ 107,854 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 2001. At year end, the City's investment in STAR Ohio was \$ 3,843,281. 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, 2001.

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

NOTE 5 RECEIVABLES, NET OF ALLOWANCE

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

Property taxes	
Current	\$ 1,570,300
Delinquent	56,700
Municipal income taxes, employer withholding	<u>22,051</u>
	<u>\$ 1,649,051</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 6 PREPAID EXPENSES

Prepaid expenses consisted of:

Prepaid insurance	<u>\$ 31,092</u>
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NOTE 7 FIXED ASSETS AND ACCUMULATED DEPRECIATION

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

	Balance, January 1	Additions	Disposals	Balance, December 31
Land and improvements	\$ 679,549	\$ -	\$ -	\$ 679,549
Construction in process	23,400	-	23,400	-
Buildings and improvements	713,610	36,689	-	750,299
Equipment and vehicles	<u>2,405,049</u>	<u>203,332</u>	-	<u>2,608,381</u>
	<u>\$ 3,821,608</u>	<u>\$ 240,021</u>	<u>\$ 23,400</u>	<u>\$ 4,038,229</u>

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

<u>Enterprise</u>	Balance, December 31
Land	\$ 83,500
Buildings and facilities	1,018,465
Improvements, utility systems	3,124,152
Machinery and equipment	<u>309,872</u>
	4,535,989
Accumulated depreciation	<u>(2,673,246)</u>
Fixed assets, net of accumulated depreciation	<u>\$ 1,862,743</u>

NOTE 8 DEFERRED REVENUE

Deferred revenue at year-end, related to:

Property taxes receivable	\$ 1,432,400
Special assessments receivable	145,521
Homestead and rollback receivable	83,627
Local governmental assistance receivable	<u>132,849</u>
	<u>\$ 1,794,397</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 9 NOTES PAYABLE

Notes payable outstanding at year-end consisted of:

	<u>Rate of Interest</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Balance December 31</u>
Bond anticipation notes	3.75%	07/26/01	07/26/02	<u>\$ 200,000</u>

NOTE 10 GENERAL LONG-TERM DEBT

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

	<u>Balance, January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31</u>
Due to other governments	\$ 85,544	\$ 98,454	\$ 85,544	\$ 98,454
OPWC loans	-	35,371	-	35,371
General obligation bonds	816,687	-	50,242	766,445
Special assessments bonds	61,348	-	8,759	52,589
Capital leases	13,216	10,434	6,400	17,250
Accrued leave benefits	771,254	15,644	93,916	692,982
	<u>\$ 1,748,049</u>	<u>\$ 159,903</u>	<u>\$ 244,861</u>	<u>\$ 1,663,091</u>

NOTE 11 OPWC LOANS PAYABLE

Ohio Public Works Commission Loans

Street improvements (2001)

0.0% through 2016	\$ -	\$ 35,371	\$ -	\$ 35,371
Storm sewer (2000)				
0.0% through 2009	27,000	-	4,500	22,500
Storm sewer (2000)				
0.0% through 2020	124,842	-	9,363	115,479
	<u>\$ 151,842</u>	<u>\$ 35,371</u>	<u>\$ 13,863</u>	<u>\$ 173,350</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 12 BONDS PAYABLE

Debt outstanding at December 31, 2001 consisted of the following issues:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31</u>
<u>Governmental type - general long-</u>				
<u>Term debt account group</u>				
General obligation bonds				
Building improvements (1988)				
7.125% through 2003	\$ 15,000	\$ -	\$ 5,000	\$ 10,000
Street improvements (1986)				
7.250% through 2007	42,000	-	6,000	36,000
Street improvements (1992)				
7.500% through 2007	80,000	-	10,000	70,000
Building improvement (1996)				
6.200% through 2016	180,000	-	5,000	175,000
Street improvement (1998)				
5.000% through 2018	<u>470,000</u>	<u>-</u>	<u>20,000</u>	<u>450,000</u>
	<u>\$ 787,000</u>	<u>\$ -</u>	<u>\$ 46,000</u>	<u>\$ 741,000</u>
<u>Special assessment bonds with</u>				
<u>City commitment</u>				
Combination bonds				
Street improvements (1983)				
11.125% through 2007				
Special assessment portion - 67.37%	\$ 61,348	\$ -	\$ 8,759	\$ 52,589
City portion - 32.63%	<u>29,687</u>	<u>-</u>	<u>4,242</u>	<u>25,445</u>
	<u>\$ 91,035</u>	<u>\$ -</u>	<u>\$ 13,001</u>	<u>\$ 78,034</u>
<u>Proprietary type - storm sewer fund</u>				
General obligation bonds				
Storm water improvement				
5.373% through 2021	<u>\$ 2,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,500,000</u>
 Total bonds payable	 <u>\$ 3,378,035</u>	 <u>\$ -</u>	 <u>\$ 59,001</u>	 <u>\$ 3,319,034</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 13 DEBT OBLIGATIONS

The annual requirements, including principal and interest, to amortize bonds payable and OPWC loans outstanding at December 31, 2001 consisted of:

<u>Year</u>	General Obligation Bonds	Special Assessment Bonds	OPWC Loans	Total
2002	\$ 335,514	\$ 14,605	\$ 6,979	\$ 357,098
2003	326,756	13,630	11,600	351,986
2004	312,988	12,656	11,600	337,244
2005	304,566	11,682	11,600	327,848
2006	301,134	10,707	11,600	323,441
2007-2011	1,426,849	9,773	52,001	1,488,623
2012-2016	1,355,786	-	43,001	1,398,787
2017-2021	777,643	-	24,969	802,612
	<u>\$ 5,141,236</u>	<u>\$ 73,053</u>	<u>\$ 173,350</u>	<u>\$ 5,387,639</u>

NOTE 14 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 \$ 18,434 at December 31, 2001. The leases are in effect through 2006. 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, 2001.

<u>Year Ending December 31,</u>	<u>Amount</u>
2002	\$ 5,691
2003	5,690
2004	5,691
2005	2,654
2006	2,655
Total minimum lease payments	22,381
Less amount representing interest	<u>(5,131)</u>
Net present value of minimum lease payments	<u>\$ 17,250</u>

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 2001

NOTE 15 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 2001 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 2001 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 \$ 12.15 per \$ 1,000 of assessed valuation for residential and agricultural real property, and \$ 14.36 per \$ 1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 2001 was \$ 19.99 per \$ 1,000 of valuation.

Property valuation consisted of:

Real property – 2000	
Residential/agricultural	\$ 114,835,430
Commercial/industrial	10,731,500
Tangible personal property – 2001	
General	6,684,820
Public utilities	<u>2,341,110</u>
Total valuation	<u><u>\$ 134,592,860</u></u>

NOTE 16 MUNICIPAL INCOME TAXES

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 17 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 2001 employer contribution rate was 13.55% of covered payroll. The City's contribution to PERS for the years ended December 31, 2001, 2000, and 1999, were \$ 150,300, \$ 110,400, and \$ 131,400, respectively, equal to the required contributions for each year. The full amount has been contributed for 2000 and 1999. For 2001, \$ 114,100 (76%) has been contributed, with the remainder being reported as a fund liability and within the general long-term debt account group.

Ohio Police and Fire Pension Fund (OP&F)

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

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2001, 2000, and 1999 were \$ 262,000, \$ 268,400, and \$ 289,700, respectively, equal to the required contributions for each year. The full amount has been contributed for 2000 and 1999. For 2001, \$ 198,100 (76%) 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, 2001

NOTE 18 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 2001 employer contribution rate was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care for the year. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions.

Summary of Assumptions:

Actuarial Review – The assumptions and calculations below were based on the System's latest actuarial review performed as of December 31, 2000.

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.

Investment Return – The investment assumption rate for 2001 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 411,076. 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 \$ 47,700. \$ 11,735.9 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2000 (the latest information available). The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$ 14,364.6 million and \$ 2,628.7 million, respectively.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 18 OTHER POSTEMPLOYMENT BENEFITS (continued)

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 7.5% of covered payroll in 2000 and 2001, respectively. The allocation is 7.5% in 2002. 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, 2000, the date of the last actuarial valuation available, are 12,853 for police and 10,037 for firemen. The City's 2001 contribution to pay postemployment benefits for police and firemen was \$ 42,000 and \$ 47,800, respectively. OP&F's total health care expense for the year ended December 31, 2000 the date of the last actuarial valuation available, was \$ 106,160,054, which was net of member contributions of \$ 5,657,431.

NOTE 19 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.

Through November 30, 2001, the city maintained a medical Self-insurance Fund for City employees and their covered dependents. This program was administered with the use of an outside third-party administrator. At November 30, 2001, self-insurance was in effect for losses up to \$ 10,000 per participant, with an aggregate deductible of \$ 354,000. A private insurance company insured excess losses. During the year ended December 31, 2001, the City paid \$ 335,078 of claims and expenses.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 19 RISK MANAGEMENT (continued)

The City's third-party administrator has actuarially determined that \$ 42,529 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, 2001. This amount is non-discounted and is based upon historical claims experience. The claims liability of \$ 42,529 reported in the Internal Service Fund as of December 31, 2001 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, 2001 and 2000 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 separate periods.

	<u>2001</u>	<u>2000</u>
Unpaid claims, beginning of year	\$ 8,146	\$ 16,989
Incurred claims	369,461	301,099
Claims payments	<u>(335,078)</u>	<u>(309,942)</u>
Unpaid claims, end of year	<u>\$ 42,529</u>	<u>\$ 8,146</u>

Effective December 1, 2001 the City began purchasing commercial insurance to cover medical insurance claims for their employees and covered dependents.

NOTE 20 OPERATING LEASE

The City is obligated under a lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore the result of the lease agreement is not reflected in the City's account groups. Total lease expense for the year ended December 31, 2001 was \$ 2,364.

Future minimum rental payments required under the operating lease as of December 31, 2001 are as follows:

<u>Year ending December 31</u>	<u>Amount</u>
2002	\$ 2,364
2003	2,364
2004	<u>591</u>
Total future operating lease payments	<u>\$ 5,319</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 21 SEGMENT INFORMATION - ENTERPRISE FUNDS

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

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Storm Sewer</u>	<u>Total</u>
Operating statement					
Operating revenues	<u>\$ 460,309</u>	<u>\$ 818,580</u>	<u>\$ 524,302</u>	<u>\$ 292,775</u>	<u>\$ 2,095,966</u>
Operating expenses					
Personal services	416,754	230,830	87	2,765	650,436
Contractual services	11,235	447,628	548,541	217,396	1,224,800
Supplies and materials	26,167	12,878	-	-	39,045
Other operating	34,624	12,317	-	-	46,941
Depreciation	<u>1,394</u>	<u>87,024</u>	<u>346</u>	<u>4,878</u>	<u>93,642</u>
Total operating expenses	<u>490,174</u>	<u>790,677</u>	<u>548,974</u>	<u>225,039</u>	<u>2,054,864</u>
Operating income (loss)	<u>(29,865)</u>	<u>27,903</u>	<u>(24,672)</u>	<u>67,736</u>	<u>41,102</u>
Non-operating revenues (expenses)					
Interest revenue	-	-	-	94,479	94,479
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>(169,495)</u>	<u>(169,495)</u>
Total nonoperating (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,016)</u>	<u>(75,016)</u>
Net income (loss)	<u>\$ (29,865)</u>	<u>\$ 27,903</u>	<u>\$ (24,672)</u>	<u>\$ (7,280)</u>	<u>\$ (33,914)</u>
Other information					
Net working capital	<u>\$ 153,037</u>	<u>\$ 496,232</u>	<u>\$ 108,166</u>	<u>\$ 2,312,657</u>	<u>\$ 3,070,092</u>
Fixed asset, additions	<u>\$ -</u>	<u>\$ 7,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,077</u>
Total assets	<u>\$ 187,666</u>	<u>\$ 2,105,872</u>	<u>\$ 154,121</u>	<u>\$ 2,627,200</u>	<u>\$ 5,074,859</u>
Total equity	<u>\$ 131,687</u>	<u>\$ 2,002,512</u>	<u>\$ 111,227</u>	<u>\$ (15,032)</u>	<u>\$ 2,230,394</u>

NOTE 22 CONTRIBUTED CAPITAL

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

	<u>Storm Sewer</u>
Beginning balance, 12/31/00	\$ 25,889
Depreciation	<u>(520)</u>
Ending balance, 12/31/01	<u>\$ 25,369</u>

NOTE 23 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.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 24 JOINTLY GOVERNED ORGANIZATIONS

A. LORAIN COUNTY GENERAL HEALTH DISTRICT

The Lorain County General Health District is a jointly governed organization, which provides health services to the citizens within the Health District. The Health District is governed by the Board of Health which represents the area served by the Health District and oversees the operations of the Health District.

The Board of Health members are appointed to staggered four year terms. One member is appointed by the City of North Ridgeville, one member is jointly appointed by the Cities of Avon and Sheffield Lake and one member is appointed jointly by the Cities of Amherst and Oberlin. The remaining four members are appointed by the various mayors of villages, chairmen of township trustees and the County Commissioners. The City contributed \$ 16,154 during 2001 for the operation of the Health District.

B. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 90 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2001. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

NOTE 25 SUBSEQUENT EVENTS

In February, 2002, City Council authorized the issuance of \$ 360,000 in Bond Anticipation Notes, to be used for improving the municipal water works system by acquiring and installing computerized water meters. These notes will be repaid from Water fund revenues.

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CITY OF SHEFFIELD LAKE, OHIO
SUPPLEMENTAL AUDITOR'S REPORT
DECEMBER 31, 2001

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, 2001, and have issued our report thereon dated April 30, 2002. 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 April 30, 2002.

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 April 30, 2002.

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

North Ridgeville, Ohio
April 30, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
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 2, 2002**