

**CITY OF AVON LAKE
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999

CITY OF AVON LAKE

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REPORT OF INDEPENDENT ACCOUNTANTS

Members of City Council
City of Avon Lake
Lorain County
150 Avon Belden Road
Avon Lake, Ohio 44012

To the City Council:

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

We conducted our 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 Avon Lake, Lorain County, Ohio, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As described in Note 4, the City reclassified a fund from Expendable Trust Fund Type to Agency Fund Type.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the City, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Jim Petro
Auditor of State

June 28, 2000

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City of Avon Lake, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Assets				
Cash and Cash Equivalents	\$4,613,740	\$2,201,402	\$672,055	\$4,512,174
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	1,029	0
Receivables:				
Taxes	2,594,887	1,870,496	0	0
Accounts	18,261	37,856	0	0
Special Assessments	0	0	5,261,458	0
Interfund Receivable	0	100,000	0	0
Intergovernmental Receivable	48,160	56,805	0	0
Materials and Supplies Inventory	24,535	58,757	0	0
Unamortized Bond Issue Costs and Discounts	0	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Fixed Assets (Net of Accumulated Depreciation in Enterprise Funds)	0	0	0	0
Other Debits:				
Amount To Be Provided for Benefits	0	0	0	0
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided for General Long-Term Debt	0	0	0	0
Total Assets	<u>\$7,299,583</u>	<u>\$4,325,316</u>	<u>\$5,934,542</u>	<u>\$4,512,174</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities				
Accounts and Contracts Payable	\$156,197	\$108,658	\$0	\$1,189,222
Retainage Payable	0	23,002	0	487,456
Accrued Wages and Benefits	205,184	81,637	0	0
Deferred Revenue	2,598,215	1,447,515	5,261,458	0
Deposits Held and Due to Others	0	0	0	0
Intergovernmental Payable	260,770	26,569	0	0
Interfund Payables	0	0	0	100,000
Matured Bonds and Interest Payable	0	0	1,029	0
Interest Payable	0	0	0	0
Police and Fire Pension Liability	0	0	0	0
Landfill Postclosure Costs	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Notes Payable	0	0	0	0
General Obligation Debt Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
Total Liabilities	<u>3,220,366</u>	<u>1,687,401</u>	<u>5,262,487</u>	<u>1,776,678</u>
Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Unreserved Retained Earnings	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	0	262,624	0	3,060,590
Reserved for Inventory	24,535	58,757	0	0
Unreserved, Undesignated (Deficit)	4,054,682	2,316,534	672,055	(325,094)
Total Fund Equity	<u>4,079,217</u>	<u>2,637,915</u>	<u>672,055</u>	<u>2,735,496</u>
Total Liabilities, Equity and Other Credits	<u>\$7,299,583</u>	<u>\$4,325,316</u>	<u>\$5,934,542</u>	<u>\$4,512,174</u>

Proprietary Fund Types	Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)
		Enterprise	Trust and Agency	General Fixed Assets	
\$5,872,954	\$395,639	\$0	\$0	\$18,267,964	
0	0	0	0	1,029	
0	0	0	0	4,465,383	
388,523	0	0	0	444,640	
0	0	0	0	5,261,458	
0	0	0	0	100,000	
1,511,000	0	0	0	1,615,965	
32,890	0	0	0	116,182	
313,516	0	0	0	313,516	
946,236	0	0	0	946,236	
52,373,582	0	12,464,368	0	64,837,950	
0	0	0	947,773	947,773	
0	0	0	672,055	672,055	
0	0	0	9,400,044	9,400,044	
\$61,438,701	\$395,639	\$12,464,368	\$11,019,872	\$107,390,195	

\$526,716	\$0	\$0	\$0	\$1,980,793
26,762	0	0	0	537,220
390,506	0	0	947,773	1,625,120
0	0	0	0	9,307,188
0	133,093	0	0	133,093
53,763	0	0	0	341,102
0	0	0	0	100,000
0	0	0	0	1,029
116,198	0	0	0	116,198
0	0	0	119,733	119,733
0	0	0	334,200	334,200
0	0	0	115,580	115,580
0	0	0	8,063,934	8,063,934
18,527,336	0	0	1,438,652	19,965,988
5,905,000	0	0	0	5,905,000
25,546,281	133,093	0	11,019,872	48,646,178
0	0	12,464,368	0	12,464,368
27,780,916	0	0	0	27,780,916
8,111,504	0	0	0	8,111,504
0	0	0	0	3,323,214
0	0	0	0	83,292
0	262,546	0	0	6,980,723
35,892,420	262,546	12,464,368	0	58,744,017
\$61,438,701	\$395,639	\$12,464,368	\$11,019,872	\$107,390,195

City of Avon Lake, Ohio
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 1999

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Fund Type Expendable Trust
Revenues						
Municipal Income Tax	\$0	\$6,116,235	\$0	\$0	\$0	\$6,116,235
Property and Other Taxes	2,444,101	912,960	0	0	0	3,357,061
Charges for Services	149,191	195,512	0	45,608	125,545	515,856
Licenses and Permits	362,539	143,074	0	0	0	505,613
Fines and Forfeits	172,418	30,703	0	0	0	203,121
Intergovernmental	1,581,136	549,348	0	1,284,206	0	3,414,690
Special Assessments	0	0	89,284	186,533	0	275,817
Interest	0	520,571	9,218	44,028	13,102	586,919
Other	18,711	6,360	0	0	791	25,862
Total Revenues	4,728,096	8,474,763	98,502	1,560,375	139,438	15,001,174
Expenditures						
Current:						
General Government	1,906,496	266,189	0	0	791	2,173,456
Security of Persons and Property	3,930,088	915,446	0	0	0	4,845,534
Public Health and Welfare	55,000	20,760	0	0	0	75,760
Transportation	1,046,025	849,974	0	0	0	1,895,999
Community Environment	218,558	0	0	0	0	218,558
Basic Utility Services	597,703	0	0	0	0	597,703
Leisure Time Activities	428,951	84,509	0	0	0	513,460
Capital Outlay	0	1,292,413	0	9,893,337	0	11,185,750
Debt Service:						
Principal Retirement	0	60,918	62,671	0	111,283	234,872
Interest and Fiscal Charges	0	7,545	96,433	0	17,895	121,873
Total Expenditures	8,182,821	3,497,734	159,104	9,893,337	129,969	21,862,965
Excess Revenues Over (Under) Expenditures	(3,454,725)	4,977,029	(60,602)	(8,332,962)	9,469	(6,861,791)
Other Financing Sources (Uses)						
Sale of Assets	1,198	0	0	0	0	1,198
Sale of Note	0	0	0	8,000,000	0	8,000,000
Inception of Lease	117,963	0	0	0	0	117,963
Operating Transfers In	4,500,000	1,318,000	0	1,176,855	0	6,994,855
Operating Transfers Out	(496,500)	(6,798,354)	0	0	0	(7,294,854)
Total Other Financing Sources (Uses)	4,122,661	(5,480,354)	0	9,176,855	0	7,819,162
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	667,936	(503,325)	(60,602)	843,893	9,469	957,371
Fund Balances at Beginning of Year	3,408,082	3,139,641	732,657	1,891,603	348,734	9,520,717
Fund Reclassification	0	0	0	0	(95,657)	(95,657)
Fund Balances at Beginning of Year As Reclassified	3,408,082	3,139,641	732,657	1,891,603	253,077	9,425,060
Increase in Reserve of Inventory	3,199	1,599	0	0	0	4,798
Fund Balances at End of Year	\$4,079,217	\$2,637,915	\$672,055	\$2,735,496	\$262,546	\$10,387,229

See Notes to General Purpose Financial Statements

City of Avon Lake, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types
General Fund
 For the Year Ended December 31, 1999

	Revised Budget	Actual	Encumbrances	Actual Plus Encumbrances	Variance
Revenues					
Property and Other Taxes	\$2,451,296	\$2,444,101		\$2,444,101	(\$7,195)
Charges for Services	146,000	148,900		148,900	2,900
Licenses and Permits	291,000	357,893		357,893	66,893
Fines and Forfeits	139,900	178,718		178,718	38,818
Intergovernmental	967,243	1,546,707		1,546,707	579,464
Other	9,630	16,721		16,721	7,091
Total Revenues	4,005,069	4,693,040		4,693,040	687,971
Expenditures					
Current:					
General Government	2,631,088	1,789,938	\$84,503	1,874,441	756,647
Security of Persons and Property	4,184,988	3,932,232	6,021	3,938,253	246,735
Public Health and Welfare	73,334	55,000	9,166	64,166	9,168
Transportation	1,041,460	1,026,227	5,698	1,031,925	9,535
Community Environment	317,441	208,879	1,300	210,179	107,262
Basic Utility Services	841,925	600,996	0	600,996	240,929
Leisure Time Activities	943,390	432,985	0	432,985	510,405
Total Expenditures	10,033,626	8,046,257	106,688	8,152,945	1,880,681
Excess of Revenues Over (Under) Expenditures	(6,028,557)	(3,353,217)	(106,688)	(3,459,905)	2,568,652
Other Financing Sources (Uses)					
Sale of Fixed Assets	2,214	1,198	0	1,198	(1,016)
Transfers-In	4,500,000	4,500,000	0	4,500,000	0
Transfers-Out	-	(500,000)	0	(500,000)	(500,000)
Total Other Financing Sources (Uses)	4,502,214	4,001,198	0	4,001,198	(501,016)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,526,343)	647,981	(\$106,688)	\$541,293	\$2,067,636
Fund Balance at Beginning of Year	3,965,759	3,965,759			
Fund Balance at End of Year	\$2,439,416	\$4,613,740			

See Notes to General Purpose Financial Statements

City of Avon Lake, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types - continued
Special Revenue Funds
 For the Year Ended December 31, 1999

	<u>Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
Revenues					
Municipal Income Tax	\$5,356,000	\$6,071,305		\$6,071,305	\$715,305
Property and Other Tax	903,160	912,960		912,960	9,800
Charges for Services	101,700	159,595		159,595	57,895
Licenses and Permits	130,249	143,074		143,074	12,825
Fines and Forfeits	23,600	31,776		31,776	8,176
Intergovernmental	778,418	545,316		545,316	(233,102)
Interest	600,000	706,045		706,045	106,045
Other	1,700	4,670		4,670	2,970
Total Revenues	7,894,827	8,574,741		8,574,741	679,914
Expenditures					
Current:					
General Government	273,400	217,554	\$21,904	239,458	33,942
Security of Persons and Property	1,016,678	920,769	22,360	943,129	73,549
Public Health and Welfare	22,000	20,760	0	20,760	1,240
Transportation	926,417	816,489	47,698	864,187	62,230
Community Environment	1,830	1,762	0	1,762	68
Leisure Time Activities	202,247	85,529	16,219	101,748	100,499
Capital Outlay	2,028,543	1,269,411	276,201	1,545,612	482,931
Debt Service:					
Principal Retirement	60,918	60,918	0	60,918	0
Interest and Fiscal Charges	7,545	7,545	0	7,545	0
Total Expenditures	4,539,578	3,400,737	384,382	3,785,119	754,459
Excess of Revenues Over (Under) Expenditures	3,355,249	5,174,004	(384,382)	4,789,622	1,434,373
Other Financing Sources (Uses)					
Transfers-In	1,330,000	1,318,000	0	1,318,000	(12,000)
Transfers-Out	(6,518,355)	(6,798,354)	0	(6,798,354)	(279,999)
Total Other Financing Sources (Uses)	(5,188,355)	(5,480,354)	0	(5,480,354)	(291,999)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,833,106)	(306,350)	(\$384,382)	(\$690,732)	\$1,142,374
Fund Balance at Beginning of Year	2,716,234	2,716,234			
Fund Balance at End of Year	\$883,128	\$2,409,884			

See Notes to General Purpose Financial Statements

City of Avon Lake, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types - continued
Debt Service Funds
 For the Year Ended December 31, 1999

	<u>Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
Revenues					
Special Assessments	\$300,000	\$89,284		\$89,284	(\$210,716)
Interest	6,000	2,768		2,768	(3,232)
Total Revenues	306,000	92,052		92,052	(213,948)
Expenditures					
Principal	62,671	62,671	\$0	62,671	0
Interest and Fiscal Charges	100,856	96,433	0	96,433	4,423
Total Expenditures	163,527	159,104	0	159,104	4,423
Excess of Revenues Over (Under) Expenditures	142,473	(67,052)	0	(67,052)	(209,525)
Other Financing Sources (Uses)					
Sale of Note	0	6,450	0	6,450	6,450
Total Other Financing Sources (Uses)	0	6,450	0	6,450	6,450
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	142,473	(60,602)	\$0	(\$60,602)	(\$203,075)
Fund Balance at Beginning of Year	732,657	732,657			
Fund Balance at End of Year	\$875,130	\$672,055			

See Notes to General Purpose Financial Statements

City of Avon Lake, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types - continued
Capital Projects Funds
 For the Year Ended December 31, 1999

	<u>Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
Revenues					
Special Assessments	\$334,000	\$186,533		\$186,533	(\$147,467)
Charges for Services	45,000	45,608		45,608	608
Intergovernmental	1,902,369	1,284,206		1,284,206	(618,163)
Interest	6,600	28,128		28,128	21,528
Total Revenues	2,287,969	1,544,475		1,544,475	(743,494)
Expenditures					
Capital Outlay	14,248,913	8,699,406	\$4,695,364	13,394,770	854,143
Total Expenditures	14,248,913	8,699,406	4,695,364	13,394,770	854,143
Excess of Revenues Over (Under) Expenditures	(11,960,944)	(7,154,931)	(4,695,364)	(11,850,295)	110,649
Other Financing Sources (Uses)					
Sale of Note	9,530,000	8,015,900	0	8,015,900	(1,514,100)
Transfers-In	1,206,855	1,176,855	0	1,176,855	(30,000)
Total Other Financing Sources (Uses)	10,736,855	9,192,755	0	9,192,755	(1,544,100)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,224,089)	2,037,824	(\$4,695,364)	(\$2,657,540)	(\$1,433,451)
Fund Balance at Beginning of Year	2,474,350	2,474,350			
Fund Balance at End of Year	\$1,250,261	\$4,512,174			

See Notes to General Purpose Financial Statements

City of Avon Lake, Ohio
Combined Statement of Revenues, Expenses
and Changes in Retained Earnings
Proprietary Fund Type
For the Year Ended December 31, 1999

	<u>Enterprise</u>
Operating Revenues	
Charges for Services	\$8,902,956
Total Operating Revenues	8,902,956
Operating Expenses	
Personal Services	2,042,833
Contractual Services	4,123,640
Materials and Supplies	412,919
Depreciation	1,139,938
Total Operating Expenses	7,719,330
Operating Income	1,183,626
Non-Operating Revenues (Expenses)	
Earnings on Investments	188,673
Interest and Fiscal Charges	(1,676,784)
Total Non-Operating Revenues (Expenses)	(1,488,111)
Loss Before Operating Transfers	(304,485)
Operating Transfers	
Operating Transfers-In	3,211,910
Operating Transfers-Out	(2,911,911)
Total Operating Transfers	299,999
Net Loss	(4,486)
Retained Earnings at Beginning of Fiscal Year	8,115,990
Retained Earnings at End of Year	\$8,111,504
Contributed Capital at Beginning of Fiscal Year	26,748,740
Contributions from Others	1,032,176
Contributed Capital at End of Year	27,780,916
Total Fund Equity at End of Year	\$35,892,420

See Notes to General Purpose Financial Statements

City of Avon Lake, Ohio
Combined Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 1999

	<u>Enterprise</u>
Cash Flows From Operating Activities	
Cash Received from Customers and Users	\$9,073,596
Cash Paid to Suppliers	(4,246,934)
Cash Paid to Employees	<u>(2,077,538)</u>
 Net Cash Provided By Operating Activities	 2,749,124
 Cash Flows From Noncapital Financing Activities	
Transfers-In	3,211,910
Transfers-Out	<u>(2,911,911)</u>
 Net Cash Provided By Noncapital Financing Activities	 299,999
 Cash Flows From Capital and Related Financing Activities	
Principal Collected on Intergovernmental Loan	138,909
Principal Repaid on Bonds	(1,050,447)
Interest Paid	(1,668,882)
Purchase of Fixed Assets	<u>(58,962)</u>
 Net Cash Used In Capital Financing Activities	 (2,639,382)
 Cash Flows From Investing Activities	
Interest Received	<u>106,425</u>
 Net Cash Provided By Investing Activities	 <u>106,425</u>
 Net Increase In Cash and Cash Equivalents	 516,166
 Cash and Cash Equivalents, Beginning of Year	 <u>6,303,024</u>
 Cash and Cash Equivalents, End of Year	 <u><u>\$6,819,190</u></u>

(continued)

City of Avon Lake, Ohio
 Combined Statement of Cash Flows
Proprietary Fund Type (continued)
 For the Year Ended December 31, 1999

	Enterprise
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Operating Income	\$1,183,626
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Depreciation Expense	1,139,938
Decrease in Accounts Receivable	168,958
Decrease in Intergovernmental Receivable	333
Increase in Inventories	(5,744)
Increase in Accounts and Contracts Payable and Retainage Payable	294,041
Decrease in Accrued Wages and Benefits Payable	(25,551)
Decrease in Intergovernmental Payable	(6,477)
	\$2,749,124

See Notes to General Purpose Financial Statements

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 1: Summary of Significant Accounting Policies

Reporting Entity: 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 of Avon Lake, Ohio (City) are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The City provides various services including police protection, fire fighting and prevention, street maintenance and repairs, sanitation services, building inspection services, parks and recreation, and water and sewer services. The operation of each of these activities is directly controlled by City Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

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 that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the City has no component units.

Measurement Focus, Basis of Accounting and Basis of Presentation: The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

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

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 1: Summary of Significant Accounting Policies – continued

Fund Types and Account Groups: The City has the following fund types and account groups:

Governmental funds are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, if any, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property tax revenues, employer withheld income taxes, state-levied locally shared taxes, grant revenues and interest revenues are susceptible to accrual.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The Debt Service Fund accounts for the servicing of general long-term debt not being financed by proprietary funds.

The Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies applicable FASB

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 1: Summary of Significant Accounting Policies – continued

pronouncements issued on or before November 30, 1989, providing they do not conflict with or contradict GASB pronouncements. Proprietary funds include the following fund type:

The Enterprise Funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement.

The Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be expended.

The Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the City holds for others in an agency capacity.

Account groups. The General Fixed Assets Account Group is used to account for fixed assets not accounted for in proprietary or trust funds. The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

Assets, Liabilities and Equity

Deposits and Investments

Cash received by the City is deposited into several bank accounts. Monies for all funds, including enterprise funds, are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the City's records. During 1999, investments were limited to money market accounts, manuscript debt, repurchase agreements, investments in U.S. agencies and instrumentalities, and STAR Ohio. Investments are reported at fair value. Repurchase agreements are reported at cost.

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 1: Summary of Significant Accounting Policies – continued

STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999.

The City utilizes a financial institution to service bonded debt as principal and interest come due. The balances of these accounts are presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal and Escrow Agents" and represent deposits or short-term investments in certificates of deposit.

The City also utilizes a trustee to retire principal and interest of its revenue bonds. This account is presented on the combined balance sheet under the heading restricted assets as "Cash and Cash Equivalents."

For purposes of the combined statement of cash flows, investments with an original maturity of three months or less are considered to be cash equivalents.

Receivables

Receivables primarily consist of property taxes and special assessments which are levied and assessed on a calendar year basis. Property taxes include amounts levied against real, public utility, and tangible personal property located in the City.

Interfund Assets and Liabilities

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

Inventories

Inventories are valued at cost using the first in/first out method. The costs of governmental fund type inventories are recorded as expenditures when purchased. Governmental fund type inventories, on hand at year end, are offset by a fund balance reserve which indicates they do not constitute available expendable resources even though they are a component of assets.

Proprietary fund type inventory costs are charged to operations when consumed.

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 1: Summary of Significant Accounting Policies – continued

Restricted Assets

Amounts held in trust which are legally restricted for use in paying current and future debt service on revenue bonds and for construction in the proprietary funds are classified as restricted assets.

Fixed Assets and Depreciation

Property, plant, and equipment items are stated on the basis of cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Infrastructure such as streets, storm sewers and drains, and traffic signals and signs are not capitalized. Assets costing less than five hundred dollars (\$500) are not normally capitalized. The cost of normal maintenance and repairs is charged to operations as incurred. Assets in the general fixed assets account group are not depreciated.

Depreciation for the proprietary funds 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	15 – 70 Years
Improvements other than Buildings	25 Years
Machinery and Equipment	3 – 20 Years
Vehicles	3 – 20 Years

Bond Discounts and Issuance Costs

Bond discounts and issuance costs for enterprise funds are deferred and amortized over the term of the bonds using the straight-line method.

Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, unfunded pension contributions and special termination benefits are reported as a liability in the general long-term debt account group to the extent that they will not be paid with current expendable available financial resources. Bonds and long-term loans are recognized as a liability of a governmental fund when due.

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 1: Summary of Significant Accounting Policies – continued

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, or sabbatical leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the City and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the City and its employees are accounted for in the period in which such services are rendered or such events take place.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is based upon sick leave accumulation at December 31, 1999 for those employees who are currently eligible to receive termination benefits and those employees who the City has identified as probable to receive termination benefit payments in the future.

Employees earn vacation and sick leave at different rates which are also affected by length of service.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in the general long-term debt account group.

In the proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

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 expenditures including amounts that are legally segregated for a specific future use. Fund balances are reserved for encumbrances and inventories of supplies and materials.

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 1: Summary of Significant Accounting Policies – continued

Contributed capital is recorded in enterprise funds that have received capital grants or contributions from customers, developers, or other funds.

Memorandum Only – Total Columns

Total columns on the general purpose financial statements are captioned as “memorandum only” because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. *Interfund eliminations have not been made in the aggregation of this data.*

Note 2: Stewardship, Compliance and Accountability

The City Council is required, by The Avon Lake City Charter, to adopt an annual budget for all funds, other than agency, in accordance with the following:

Budget: A budget of estimated cash receipts and disbursements is adopted at the first Council meeting in July and submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year for the ensuing January 1 to December 31 calendar year.

Estimated Resources: The County Budget Commission certifies its actions to the City. As part of this certification, the City receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. On or about January 1, this Certificate is amended to include any unencumbered balances from the preceding year. Prior to year end, the City must revise its budget so that the total contemplated expenditures from a fund during the year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered cash balances at December 31 of the preceding year. The amounts reported in the budgetary statements reflect the final budget figures.

Appropriations: Appropriations may be defined as expenditure authorization and are synonymous with budget within the Budget and Actual presentations. A temporary appropriation measure to control the cash disbursements may be passed prior to passage of the annual appropriation measure. An annual appropriation measure must be passed by April 1 for

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 2: Stewardship, Compliance and Accountability – continued

the current year. The appropriation measure may be amended or supplemented during the year as new information becomes available. The appropriated budget is prepared by fund, department and object. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. Several amendments and supplements were enacted during the year. The amounts reported in the budgetary statements reflect final amended appropriations. Appropriations may not exceed estimated resources, and expenditures plus encumbrances may not exceed appropriations at the object level.

Encumbrances: The City is required to use, by Ohio law, the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

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. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated. Encumbrances at year end have been presented as reserves of fund balances.

Budgetary Basis of Accounting: The City's budgetary process is based upon accounting for transactions on the budget basis. The difference between budget basis and the accrual and modified accrual (GAAP) basis is that revenues are recorded when received in budget as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid or encumbered (budget) as opposed to when incurred (GAAP). Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ 667,936	\$ (503,325)	\$ (60,602)	\$ 843,893
Net Adjustments for Revenue Accruals	(153,019)	99,978	-	-
Net Adjustments for Expenditure Accruals	133,064	96,997	-	1,193,931
Net Adjustments for Encumbrances	(106,688)	(384,382)	-	(4,695,364)
Budget Basis	\$ <u>541,293</u>	\$ <u>(690,732)</u>	\$ <u>(60,602)</u>	\$ <u>(2,657,540)</u>

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 3: Deposits and Investments

Cash and Cash Equivalents and Investments: The City maintains a cash and investment pool used by all funds. Each fund type's portion is displayed on the combined balance sheet – all fund types and account groups as “Cash and Cash Equivalents.”

Legal Requirements: Deposits and investments are restricted by provisions of the Ohio Revised Code. Statutes require the classification of monies held by the City into three categories.

One category consists of “active” monies; those monies required to be kept in a “cash” or “near cash” status for immediate use by the City. Such monies must be maintained either as cash in the treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

A second category consists of “inactive” monies; those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing no 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.

A third category consists of “interim” monies; those monies which are not needed for immediate use but which will be needed before the end of the current period 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 obligations provided they mature or are redeemable within two years from the date of purchase:

1. Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government 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;
4. Bonds and other obligations of the State of Ohio;

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 3: Deposits and Investments – continued

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).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

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, 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 Director of Finance or, if the securities are not represented by a certificate, upon receipts of confirmation of transfer from the custodian.

Deposits: At year end, the carrying amount of the City's deposits was \$913,264 and the bank balance was \$1,200,558. Of the bank balance, \$200,000 was covered by federal depository insurance, and \$1,000,558 was uncollateralized and uninsured. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the City's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 3: Deposits and Investments -- continued

Investments: The City's investments are categorized below 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.

Category 2 includes uninsured and unregistered investments for which securities are held by the financial institution's trust department or agent in the City's name.

Category 3 includes uninsured and unregistered investments for which securities are held by the financial institution or by its trust department but not in the City's name.

The City invests in STAR Ohio, the State Treasurer's investment pool, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category</u>			<u>Carrying Value</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Money Market	\$ -	\$ -	\$ 348,819	\$ 348,819	\$ 348,819
Manuscript Debt	47,082	-	-	47,082	47,082
Investments in State Treasurer's Investment Pool	-	-	-	2,580,676	2,580,676
Repurchase Agreement	-	1,385,000	-	1,385,000	1,430,935
Investments in U.S. Agencies and Instrumentalities	-	<u>14,148,870</u>	-	<u>14,148,870</u>	<u>13,894,453</u>
TOTAL INVESTMENTS	<u>\$ 47,082</u>	<u>\$ 15,533,870</u>	<u>\$ 348,819</u>	<u>\$ 18,510,447</u>	<u>\$ 18,301,965</u>

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 4: Fund Reclassification

As of January 1, 1999, the City reclassified the Deposit Trust Fund from Expendable Trust to Agency Fund-Type. The effect of this reclassification was to reduce January 1, 1999 Expendable Trust Fund Cash and Cash Equivalents and Unreserved Fund Balance and increase January 1, 1999 Agency Cash and Cash Equivalents and Deposits Held and Due to Others in the amount of \$95,657.

Note 5: Fixed Assets

A summary of changes in general fixed assets is as follows:

	Balance January 1, <u>1999</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>1999</u>
Land	\$ 2,486,771	\$ -	\$ -	\$ 2,486,771
Buildings	2,219,340	13,851	-	2,233,191
Improvements other than Buildings	241,834	-	-	241,834
Machinery and Equipment	2,221,170	343,167	(106,826)	2,457,511
Furniture and Fixtures	2,338,527	-	-	2,338,527
Construction-In-Progress	<u>-</u>	<u>2,706,534</u>	<u>-</u>	<u>2,706,534</u>
Total	<u>\$ 9,507,642</u>	<u>\$ 3,063,552</u>	<u>\$ (106,826)</u>	<u>\$ 12,464,368</u>

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 5: Fixed Assets – continued

Proprietary fund fixed assets at December 31, 1999 were as follows:

	<u>Enterprise</u>
Land	\$ 663,600
Buildings	13,002,646
Improvements other than Buildings	35,554,461
Machinery and Equipment	17,009,651
Construction-In-Progress	<u>657,760</u>
Total Fixed Assets	66,888,118
Less: Accumulated Depreciation	<u>(14,514,536)</u>
Net Fixed Assets	<u>\$ 52,373,582</u>

Note 6: Long-Term Obligations

On March 31, 1999, the City issued \$8,000,000 in Various Purpose Series 1999 Notes. These Notes were issued to finance various improvements. The interest rate is 3.625% and the Notes mature on March 31, 2000. Since these Notes were refinanced on March 30, 2000 (see the following "Subsequent Events" footnote), with a maturity date of March 29, 2001, they have been presented in the General Long-Term Debt Account Group.

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 6: Long-Term Obligations – continued

Changes in long-term obligations were as follows:

	Balance January 1, <u>1999</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>1999</u>
GENERAL LONG-TERM OBLIGATIONS:				
GENERAL OBLIGATION NOTES				
1998 Ambulance Note 5.96%	\$ 124,852	\$ -	\$ 60,918	\$ 63,934
1999 Various Purpose Notes 3.625%	-	8,000,000	-	8,000,000
GENERAL OBLIGATION BONDS				
1994 Various Purpose 4.0% - 6.0%	539,032	-	21,608	517,424
SELLER-FINANCED MORTGAGES				
1997 Park Lane 3.75%-4.75%	265,000	-	85,000	180,000
1997 Park Lane 6%	<u>115,502</u>	<u>-</u>	<u>26,283</u>	<u>89,219</u>
TOTAL SELLER-FINANCED MORTGAGES	380,502	-	111,283	269,219
SPECIAL ASSESSMENT BONDS				
1990 Pin Oak Parkway II 1990 8.35% Manuscript	33,151	-	4,736	28,415
1993 Redwood Curbs 6.0% Manuscript	<u>20,740</u>	<u>-</u>	<u>2,074</u>	<u>18,666</u>
TOTAL SPECIAL ASSESSMENT BONDS	53,891	-	6,810	47,081
OHIO WATER DEVELOPMENT AUTHORITY LOANS				
1986 Walker Road 7.76%	567,880	-	26,835	541,045
Avon Point/Armour Sewer	<u>72,010</u>	<u>-</u>	<u>8,127</u>	<u>63,883</u>
TOTAL OWDA LOANS	639,890	-	34,962	604,928
LANDFILL POSTCLOSURE COSTS	334,200	-	-	334,200
COMPENSATED ABSENCES	973,259	425,000	450,486	947,773

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 6: Long-Term Obligations – continued

	Balance January 1, 1999	<u>Additions</u>	<u>Reductions</u>	Balance December 31, 1999
POLICE AND FIRE PENSION	\$ 121,166	\$ -	\$ 1,433	\$ 119,733
CAPITAL LEASE PAYABLE	<u>-</u>	<u>117,963</u>	<u>2,383</u>	<u>115,580</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS	3,166,792	8,542,963	689,883	11,019,872
ENTERPRISE FUNDS:				
GENERAL OBLIGATION BONDS				
1994 Various Purpose 4.0%-6.0%	<u>8,690,968</u>	<u>-</u>	<u>348,392</u>	<u>8,342,576</u>
TOTAL GENERAL OBLIGATION BONDS	8,690,968	-	348,392	8,342,576
OHIO WATER DEVELOPMENT AUTHORITY LOANS				
1986 Walker Road 7.76%	1,074,408	-	50,723	1,023,685
1983 Wastewater Expansion 9.98%	939,303	-	136,741	802,562
1990 Water Plant Expansion 7.84%	7,954,699	-	215,740	7,738,959
1999 Wastewater Improvement 5.76%	<u>638,687</u>	<u>-</u>	<u>19,133</u>	<u>619,554</u>
TOTAL OWDA LOANS	10,607,097	-	422,337	10,184,760
MORTGAGE REVENUE BONDS				
1993 Water System Revenue Refunding Bonds 2.5% - 5.5%	<u>6,195,000</u>	<u>-</u>	<u>290,000</u>	<u>5,905,000</u>
TOTAL MORTGAGE REVENUE BONDS	<u>6,195,000</u>	<u>-</u>	<u>290,000</u>	<u>5,905,000</u>
TOTAL ENTERPRISE FUNDS	<u>25,493,065</u>	<u>-</u>	<u>1,060,729</u>	<u>24,432,336</u>
TOTAL	<u>\$ 28,659,857</u>	<u>\$ 8,542,963</u>	<u>\$ 1,750,612</u>	<u>\$ 35,452,208</u>

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 6: Long-Term Obligations – continued

General obligation notes will be paid from the special revenue paramedic levy fund and bond proceeds. General obligation bonds, other than the Enterprise general obligation bonds and mortgage revenue, will be paid from the general bond retirement debt service fund from special assessments taxes. Seller-financed mortgages will be paid from the recreation trust expendable trust fund. Ohio Water Development Authority loans other than those paid from the Enterprise Funds will be paid from the general bond retirement debt service fund from special assessments. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The police and fire pension liability will be paid from taxes receipted in the police and fire pension special revenue funds. Landfill postclosure costs are based on estimates as of December 31, 1999. The actual costs may be higher due to inflation, changes in technology, or changes in regulations and they will be paid from the general fund. Compensated absences reported in the "Accrued Wages and Benefits" account will be paid from the fund which the employees' salaries are paid.

Principal and interest requirements to retire long-term obligations, except landfill postclosure costs and compensated absences, outstanding at December 31, 1999 are as follows:

	General Obligation Bonds	Seller- Financed Mortgages	Special Assessment Bonds	Mortgage Revenue Bonds	OWDA	Police and Fire Pension	General Obligation Notes	Capital Lease Payable
2000	\$ 903,810	\$ 130,238	\$ 10,303	\$ 610,095	\$ 1,343,300	\$ 6,567	\$ 8,358,462	\$ 19,935
2001	904,455	126,031	9,783	606,675	1,343,300	6,567	-	21,616
2002	903,705	32,824	9,263	607,500	1,343,300	6,567	-	23,439
2003	906,085	-	8,743	607,320	1,343,300	6,567	-	25,415
2004	906,475	-	8,223	605,760	1,343,300	6,567	-	25,175
2005-2009	4,525,900	-	14,670	3,043,890	5,638,157	32,835	-	-
2010-2014	4,522,800	-	-	2,430,380	5,085,142	32,835	-	-
2015-2019	-	-	-	-	1,420,300	32,835	-	-
2020-2035	-	-	-	-	-	101,429	-	-
	<u>\$ 13,573,230</u>	<u>\$ 289,093</u>	<u>\$ 60,985</u>	<u>\$ 8,511,620</u>	<u>\$ 18,860,099</u>	<u>\$ 232,769</u>	<u>\$ 8,358,462</u>	<u>\$ 115,580</u>

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 6: Long-Term Obligations – continued

Mortgage Revenue Bonds

The water system mortgage revenue refunding bonds include serial and term bonds. The term bonds have annual mandatory sinking fund redemption requirements, and there are optional redemption provisions for the serial bonds. The term bonds mature on October 1, 2012 in the amount of \$2,895,000, at a redemption price equal to 100% of the principal plus accrued interest to the redemption date. The serial bonds maturing on or after October 1, 2004 are subject to early redemption, by and at the option of the City in whole at any time or in part on any interest payment date on or after October 1, 2003 in integral multiples of \$5,000 at the following redemption prices plus accrued interest:

<u>Redemption Dates</u> <u>(Dates Inclusive)</u>	<u>Redemption Prices</u>
October 1, 2003 through September 30, 2004	101%
October 1, 2004 and thereafter	100%

In conjunction with the issuance of the water system mortgage revenue refunding bonds and the requirements of the indenture agreement, the City entered into a trust agreement with a commercial bank. The debt covenant requires that the City establish various funds for the construction, replacement, and the repayment of debt relating to the construction and improvement of the waterworks system.

The restricted assets balance in the water fund segregates funds held by the City from funds held by the trustees in accordance with the trust agreement. Restricted assets relating to the water system mortgage revenue refunding bonds consisted of the following at December 31, 1999:

Restricted Assets Held by the Trustee:

Revenue Bond Future Debt Service	\$ 946,236
----------------------------------	------------

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 6: Long-Term Obligations – continued

General Obligation Bonds

On May 1, 1994, the City issued \$10,000,000 various purpose general obligation bonds, series 1994. Of the \$10,000,000, enterprise funds are responsible for the repayment of \$9,416,000 and \$584,000 is the responsibility of the general long-term obligations account group. The bonds were issued for the purpose of paying the costs of (a) constructing improvements, additions or extensions to the City's water distribution system within and without the City, including acquiring real estate and easements therefore; (b) construction improvements to the City's sewerage system; (c) widening and resurfacing portions of Walker Road; and (d) issuing the Bonds. As of December 31, 1999, the water enterprise fund has recorded \$1,361,000 in "Intergovernmental Receivable" for the City of Avon's share of the waterline construction costs.

The Bonds maturing on or after December 1, 2005 are subject to redemption, by and at the option of the City, in whole at any time, or in part on any Interest Payment Date, on or after December 1, 2004, in integral multiples of \$5,000 at the redemption prices equal to the following percentages of the principal amount redeemed plus, in each case, accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2004 and thereafter	100%

Mandatory Sinking Fund Redemption. The Bonds maturing on December 1, 2014 are subject to mandatory redemption, pursuant to mandatory sinking fund requirements, at a redemption price of 100% of the principal amount redeemed plus interest accrued to the redemption date, on December 1 in each of the years and in the principal amounts set forth below (the "Mandatory Sinking Fund Requirements"):

<u>Year</u>	<u>Principal Amount To Be Redeemed</u>
2010	\$675,000
2011	715,000
2012	760,000
2013	805,000
2014	855,000

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 6: Long-Term Obligations – continued

In prior years, the City defeased certain water system mortgage revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 1999, \$6,180,000 of bonds outstanding were considered defeased.

Note 7: Contractual Commitments

During 1999, the City entered into various contracts for building construction totaling \$6,103,984. The amount paid on the contracts was \$2,706,534, leaving an outstanding contractual commitment of \$3,397,450.

Note 8: Taxes

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

Real property taxes collected were based on assessed value equal to thirty-five percent (35%) of appraised value. The Lorain County Auditor reappraises real property every six years, with a triennial update, which was last completed for 2000. Real property taxes are levied on assessed valuations as of December 31, which is the lien date. Real property taxes, billed one year in arrears, are payable annually or semiannually. The first payment is due January 20, and the remainder is payable by June 20.

Taxpayers (other than public utilities) become liable for tangible personal property taxes on January 1 of the current calendar year based on tax rates determined in the preceding year and assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30 with the remainder payable by September 20. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 8: Taxes – continued

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property 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 full tax rate for all City operations for the year ended December 31, 1999 was \$7.24 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

Real Property	\$ 395,835,710
Tangible Personal Property	<u>163,038,803</u>
Total	<u>\$ 558,874,513</u>

Income Taxes. The City levies a municipal income tax of one and one-half percent on all salaries, wages, commission 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 one hundred 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 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 Income Tax Transfer Fund which is a Special Revenue Fund.

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 9: Pension Plan

Public Employees Retirement System of Ohio (PERS)

Plan Description. The City contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement System of Ohio. 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.

Funding Policy. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contributions rates are 8.5% of covered salary. The 1999 employer contribution rate for local government employer units was 13.55% of covered payroll. The City's contributions to PERS for the years ending December 31, 1999, 1998, and 1997 were \$775,539, \$753,400, and \$690,014, respectively. The full amount has been contributed for 1998 and 1997, and 81.5 percent has been contributed for 1999.

The Police and Firemen's Disability and Pension Fund of Ohio (PFDPF)

Plan Description. The City contributes to the Police and Firemen's Disability and Pension Fund (PFDPF) a cost-sharing, multiple-employer, defined-benefit pension plan. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The PFDPF 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 PFDPF, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24 percent, respectively, for police officers and firefighters. The City's contributions to PFDPF for the years ending December 31, 1999, 1998, and 1997 were \$648,016, \$626,480, and \$605,231, respectively. The full amount has been contributed for 1998 and 1997, and 76 percent has been contributed for 1999.

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 10: Post Employment Benefits

Public Employees Retirement System

The 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. 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 postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for the year. The Ohio Revised Code provides the statutory authority requiring public employees to fund postretirement health care through their contributions to PERS.

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

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

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1999, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

Police and Firemen's Disability Pension Fund

The Police and Firemen's Disability and Pension 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 full-time or on a 2/3 basis.

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 10: Post Employment Benefits – continued

The health care coverage provided by the retirement system is considered an Other Postemployment benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employers' contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, and the total firefighter employer contribution rate is 24 percent of covered payroll of which 7.0 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998 is 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits for police and fire were \$421,210. The fund's total health care expenses for the year ending December 31, 1998 (the latest information available) was \$78,596,790, which was net of member contributions of \$5,331,515.

Note 11: Contributed Capital

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

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Beginning Balance	\$ 10,188,197	\$ 16,560,543	\$ 26,748,740
Contributed by Others	<u>196,968</u>	<u>835,208</u>	<u>1,032,176</u>
Ending Balance	<u>\$ 10,385,165</u>	<u>\$ 17,395,751</u>	<u>\$ 27,780,916</u>

Note 12: 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.

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 12: Risk Management – continued

During 1999, the City contracted for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Great American Insurance Company	Property	\$ 1,000
	General Liability	0
	Valuable Papers	1,000
	Data Equipment	1,000
	Equipment	1,000
	Vehicles	1,000
	Public Officials Liability	5,000
	Police Liability	5,000
	Property and General Liability (for part-time firefighters)	5,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

The City pays the Ohio Bureau of Workers' Compensation a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 13: Segment Information for Enterprise Funds

Segment information for Enterprise Funds is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues	\$ 5,670,405	\$ 3,232,551	\$ 8,902,956
Operating Expenses Before Depreciation	4,069,115	2,510,277	6,579,392
Depreciation Expense	722,225	417,713	1,139,938
Operating Income (Loss)	879,065	304,561	1,183,626

City of Avon Lake, Ohio

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 13: Segment Information for Enterprise Funds – continued

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Net Nonoperating Revenue (Expense)	\$ (1,197,364)	\$ (290,747)	\$ (1,488,111)
Net Transfers	-	299,999	299,999
Net Income (Loss)	(318,299)	313,813	(4,486)
Plant, Property and Equipment Additions	418,266	1,324,511	1,742,777
Net Working Capital	4,759,001	3,192,173	7,951,174
Total Assets	35,187,884	26,250,817	61,438,701
Long-Term Liabilities	20,260,607	4,171,729	24,432,336
Total Equity	14,306,751	21,585,669	35,892,420

Note 14: Landfill Postclosure Costs

State and federal laws and regulations require the City to place a final cover on its Sanitary Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The \$334,200 reported as landfill postclosure care liability at December 31, 1999 represents the cumulative amount reported to date based on the use of 66 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform postclosure care in 1999. The City closed the landfill as of December 31, 1990. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Notes to General Purpose Financial Statements

For the Year Ended December 31, 1999

Note 15: Contingencies

Litigation

As of December 31, 1999, the City was a party to a legal proceeding. The ultimate disposition of this proceeding is not presently determinable, but will not, in the opinion of management, have a material adverse effect on the continued operations of the City.

Note 16: Subsequent Events

In March 1999, the Board of Municipal Utilities authorized refinancing of the Series 1994 Various Purpose General Obligation Bonds. However, these bonds had not been refinanced as of December 31, 1999.

On March 30, 2000, the City issued Various Purpose Notes for various improvements in the amount of \$9,000,000 for the purpose of retiring notes issued March 31, 1999, and financing additional improvements. The notes were issued with an interest rate of 4.75%.

In April, 2000, City Council authorized the issuance of Series 2000A, Water System Mortgage Revenue Bonds in the amount of \$9,730,000 for the purpose of the installation of the Water System Eastern Transmission Line into Medina County and City.

CITY OF AVON LAKE

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999

Federal Program/ Pass Through Grnator	CFDA #	Pass-through Agency Awarding Number	Expenditures
<u>U.S. Department of Commerce</u>			
Direct Program			
Economic Development Administration Grant for Public Works and Infrastructure Development	11.300	N/A	<u>\$735,803</u>
Total U.S. Department of Commerce			<u>735,803</u>
<u>U.S. Department of Transportation</u>			
Direct Program			
Highway Planning and Construction Grant	20.205	N/A	166,203
<i>Passed-through Lorain County Transit Board</i>			
Federal Transit Capital and Operating Assistance Formula	20.507	N/A	<u>19,400</u>
Total U.S. Department of Transportation			<u>185,603</u>
Total Federal Awards Expenditures			<u>\$921,406</u>

The notes to the financial statements are an integral part of this statement.

**Notes to the Schedule of Federal Awards Expenditures
For The Year Ended December 31, 1999**

Note 1 - Basis of Presentation

The accompanying Schedule of Federal Awards Expenditures (Schedule) includes the federal grant activity of the City and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

CFDA - Catalog of Federal Domestic Assistance

NA - Not Applicable



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Members of City Council
City of Avon Lake
Lorain County
150 Avon Belden Road
Avon Lake, Ohio 44012

To the City Council:

We have audited the financial statements of the City of Avon Lake, Lorain County, Ohio (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated June 28, 2000 in which we noted the City reclassified a fund. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 28, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Avon Lake'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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 28, 2000.

Members of City Council
City of Avon Lake
Lorain County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management, the Audit Committee, City Council, the Board of Municipal Utilities, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a circular stamp or seal.

Jim Petro
Auditor of State

June 28, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of City Council
City of Avon Lake
Lorain County
150 Avon Belden Road
Avon Lake, Ohio 44012

To the City Council:

Compliance

We have audited the compliance of City of Avon Lake, Lorain County, Ohio (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 28, 2000.

This report is intended for the information and use of the management, the Audit Committee, City Council, the Board of Municipal Utilities, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State
June 28, 2000

CITY OF AVON LAKE
LORAIN COUNTY
DECEMBER 31, 1999

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Economic Development Administration Grant for Public Works and Infra-structure Development (CFDA #11.300)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	\$300,000/\$100,000
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF AVON 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.

By: *Susan Babbitt*

Date: JULY 20, 2000